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Tuesday December 12 1989

France prepares early end

to all exchange controls

No.31.022 OFINANCIAL TIMES 1989

#### Soviet Union Argentina wants further devalues discussions austral by on Berlin

The Soviet Union, concerned that developments in East Germany could veer out of control, indicated that it wished to continue talks begun in West Ber-lin with its three Second World

War allies. Ambassadors from the Soviet Union, US, Britain and France met for 2% hours in the Allied Control Council building in West Berlin for the first time since they conchided the four-power agreement in 1971. Page 18

Pravda chief denial Ivan Frolov, editor of Pravda and one of Mikhail Gorbachev's closest political advis-ers, denied the Soviet leader had formally threatened to quit in the face of a revolt by conservative members of the Communist Party Central Committee. Page 2

Telecom go-ahead A new era in telecommunications was launched when the UK Government awarded licences to three international consortia to provide mass market mobile communications

systems. Page 10 Boat people leave Hong Kong is expected to start its long-awaited mandatory repatriation of Vietname tional opposition. Page 4

Yugoslav plea

The Communist Party in Croatia, Yugoslavia's second biggest republic, called for free, multi-party elections in a move reflecting the impact of the political revolution in Eastern Europe, Page 2

**Brazilian election** 

The socialist candidate in Brazil's presidential elections, Lais Inacio Lula da Silva, appears capable of overtaking Fernando Collor de Mello, his cen-tre-right rival, during the last

The Japanese Government is discussing ways of improving its relations with China follow-ing a visit to Peking by Brent Scowcroft, US National Security Adviser. Page 4

**Greek vote forecast** Greek conservative party leader Constantine Mitsotakis predicted the third national ection in 12 months would take place next March or April.

SA in arms talks

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South Africa has started talks with the US, the Soviet Union and Britain on signing a treaty banning the spread of nuclear

Yemen policy move Marxist South Yemen, influenced by the wave of democened for the first time the door for opposition groups to form political parties, the rul-ing Socialist Party said.

Rebels bomb homes Corsican separatist guerrillas blew up about 40 holiday homes under construction and pledged to continue fighting foreign investment on the foreign investment on the French Mediterranean island.

iragi veiled threat Iraq has issued a veiled threat that it might attack Iran using recently developed missile echnology if peace talks fall.

Chile poll monitor The Council of Europe plans to send an eight-man de tion to Chile to monitor Thursday's elections.

7 dead in jail riots Seven convicts were killed and three missing after Polish jail riots over an amnesty which excluded habitual criminals, a prison official said.

# 35 per cent

A WIDE-RANGING Argentine economic package, including a 34.8 per cent devaluation of the austral, was announced by President Carlos Menem's live-month-old Peronist Government. Measures included a two-year postponement of the maturity of short-term austral-denominated government bonds. Page 18

UK: Signs that the Govern-ment's high interest rate policy is working to slow demand and cool inflation came with a reported fall in retail sales volume and no sign of an accel eration in factory gate prices last month, Page 10

WATER privatisation: Shares in the 10 UK water and sewage companies are expected to make a buoyant debut on the stock market as the issue in the £5.24bn (\$8.27bn) flotation was heavily oversubscribed.

ANTI-DUMPING has become the most frequently invoked tool of trade policy after tariff duties in the US and EC, said Arthur Dunkel, director-general of the Gatt. Page 18; Details, Page 6

US and the Netherlands signed a landmark accord to combat securities fraud, a move expected to foster greater interna-tional co-operation in regulating capital markets. Page 22

CHANNEL International, Taiwan-based consortium that includes government funding, agreed to acquire Wyse Technology, ailing US computer-maker, for \$268m, in a deal which marks Taiwan's largest overseas acquisition. Page 19

**BELLSOUTH**, largest of the US regional phone companies dropped out of the running for LIN Broadcasting, clearing the way for a takeover by McCaw Cellular Communications, 22 per cent owned by British Telecommunications.

METSA-SERLA, United Paper Mills, and Metsällitto, big Finnish forest product groups, signed a letter of intent to merge their pulp operations into Finland's largest puip gest in Europe. Page 19

MONDADORI: The alliance seeking to wrest control of the Mondadori publishing company from Carlos De Benedetti, Italian financier, ousted the De Benedetti-backed president of Amef, the financial holding company that owns 50.3 per cent of the company's ordinary shares. Page 21

ALAN BOND'S besieged corporate empire came under fur-ther pressure as the Adelaida ther pressure as the Adelains Steamship group pressed ahead with its application to have a receiver appointed at Bell Resources, 58 per cent-owned subsidiary of Bond Cor-poration. Page 21

KOOR Industries, Israel's largest industrial group, says its future is in doubt unless banks write-off of \$125m. Page 21

SALOMON Brothers, US investment bank, is almost doubling its capital base in the sterling fixed-income markets from £35m (\$55.26m) to £63m. Page 24

NATIONAL Semiconductor, California-based semiconduct chip maker, has returned to profitability after five quarters of losses. Page 21

RHONE-POULENC and Hoechst, French and West German chemicals companies, are discussing co-operation accords in pharmaceuticals. Page 20

JAPANESE Ministry of Finance officials said investor protection was the prime motive behind plans for tightening the rules governing the market in US-dollar-denominated Japanese equity war-rants. Page 24

STOCK INDICES

2,351.4 (-12.1)

FT Ord

MARKETS

New York tue \$1.5945 \$1.5895 (1.5795) DM2.8075 (2.7975) FFr9.585 (9.565) £ Index 87 (86.7)

COLD York: Comex Feb \$416.75 (410.25)

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1,851.8 (-10.2) FT-A All-Share 1,172.04 (-0.4%) DM1.766 (1.772) FFr6.0375 (6.055) New York lunch SFr1.597 (1.5975) Y144.45 (144.2) \$ index 68.7 (68.8) DJ Ind. Av. 1 2,717.79 (-- 13.85) SAP Comp Tokyo ciose: Y144.65 346,74 (-1.95) US LUNCHTIME RATES Takyo: Nikkei 37,752,67 (+28,61) Fed Funds 8% % 3-me Treasury Bills: yield: 7.87% **LONDON MONEY** 

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# Business Summary

FRANCE is preparing to abolish its remaining exchange controls by the end of the year six months before the deadline kid down by the European Community directive on the liberalisation of capital move-President François Mitter-

resident François Mitter-rand told his 11 European part-ners of the decision at the EC summit in Strasbourg on Sat-urday. The French Govern-ment appears to have hoped that the decision would remain secret for a while longer - the French Finance Ministry yes-terday refused to confirm the abolition - but Mrs Margaret Thatcher, Britain's Prime Minister, and Mr Jacques Santer, the Luxembourg Prime Minister, both confirmed Mr Mitterrand's announcement to the sunmit.

Only a few French foreign exchange restrictions still remain in place, principally a ban on individuals opening bank accounts abroad or foreign currency accounts within France. The decision to press ahead quickly with their final removal was, nevertheless, described by French officials yesterday, as a symbol of France's political commitment to an integrated Europe.

The continued existence of exchange controls in France has been one of the UK's main arguments against any speedy move towards extensive mone-tary union. Italy must still modify its regulations by July I next year to comply with the capital movements directive, while Greece, Ireland, Portugal and Spain have until the end of 1992 to fall in line.

The French Government has also indicated that it plans to overhaul its restrictions on inward foreign investment, which now apply mainly to investors from outside the EC. Mr Pierre Bérégovoy, the Finance Minister, acknowl-edged recently that France had a poor reputation among for-eign investors for arbitrarily blocking purchases of French

France's exchange controls date back to the end of the Second World War, with two short periods of freedom in 1967-68. They have, however, since 1985, starting in Mr Bérégovoy's first spell as Finance Minister. Mr Edouard Balladur,

Finance Minister during the right-wing government of several steps further, and Mr Bérégovoy has continued since returning to office last year.

In March this year, France took the decisive steps of end-ing restraints on the foreign nies and permitting banks to make loans, both in francs and in foreign currencies, to non-residents. Removal of the last restrictions will allow individuals the same freedom. The 1990 budget now passing

The 1990 budget now passing through the French Parliament, however, will introduce several stiff measures allowing the tex authorities to ensure that the French do not take advantage of the liberalisation of capital movements to escape paying taxes on their savings. The measures, which have also been framed to help in the fight against the laundering of drug money, include an obliga-

tion for any transfer abroad of more than FFr50,000 (\$8,300) to be declared to the authorities. At the same time, the budget reinstates the possibility for tax inspectors to raise the income tax assessments of peo-ple judged to have particularly opulent lifestyles: owners of yachts or large motorcycles, for example, or members of golf clubs or shooting syndicates. France's reluctance to remove all exchange controls one fell swoop, as Mrs Thatcher has often urged, stems from fears that the French would rush to place their savings in less heavily taxed neighbouring countries, such as Luxembourg, thus put-ting the frank exchange rate

the Banque Nationale de Paris (BNP) or Mr Jean Peyrelevade of the Union des Assurances de Paris (UAP), has warned of the danger of capital flight if the liberalisation of capital movements were not accompanied by measures to harmonise the taxation of savings in the 12 EC member countries.

Mr Bérégovoy sought initially to obtain this barmonisa-tion through the creation of a uniform withholding tax imposed throughout the Community. This plan, already greeted with scepticism by countries such as the UK and Luxembourg, was abandoned when West Germany switched camps and abolished its own recently created withholding

French efforts since then have focused on obtaining greater co-operation between national tax authorities in the



# Thatcher shifts A series of distinguished committees, chaired by financiers like Mr Daniel Lebègue of the Banque Nationale de Paris

MRS Margaret Thatcher, the British Prime Minister, yester-day indicated a shift of emphasis in her attitude to the European Monetary System (EMS), saying she had an "open mind" on whether Britain might take up full membership before the next general election. in a wide-ranging interview, she reaffirmed that curbing

inflation was the overriding priority of her domestic policy and warned that the present interest rate squeeze would continue for some time.

pollution and improving public services were at the top of the Government's agenda for the Appearing confident and relaxed after last week's abor-tive challenge to her leadership

greater co-operation between of the Conservative Party and national tax authorities in the fight against fiscal fraud. Mrs Thatcher insisted she had

not changed her views on

European integration.

The priority was the creation of a single market and a recognition that the Community was only one manifestation of a "wider Europe" rather than a headlong rush to political union. She claimed both were areas in which Britain rather than France or West Germany had led.

Her remarks, however, con-firmed the impression at Stras-bourg that she hopes her oppo-sition to the Delors plan for and to the Social Charter will not lead to an acrimonious battle with the rest of the Commu-That - with a more emol-

lient tone on the EMS - will be seen at Westminster as evidence that Mrs Thatcher is Continued on Page 18 Head in Europe, Page 16

THE RACE TO

STAY IN THE

CAR MAKING

BUSINESS

INTERNATIONAL AND

#### Czechs bid to rejoin IMF after 35 years of isolation By John Lloyd in Prague

CZECHOSLOVAKIA has applied to rejoin the International Monetary Fund and the

World Bank, a move which may eventually end 35 years of economic isolation since the communist authorities severed links with the organisations in

The application was the first act of the new Finance Minister, Mr Vaclav Klaus, 48, when he entered his ministry at 10 am yesterday. A slight, greying man, he has been catapulted from being a barely tolerated dissident to sitting in a

large, gloomy office. His first and only interview with the press yesterday showed a man whose neo-lib-eral radicalism remains keen but is already being tempered by considerations of power. His second act was to ask the National Assembly, pres-ently discussing the budget, to

approve a provisional budget for the next three months and thus give him some breathing space to introduce new mea-sures and restructure the budget itself.

The new Finance Minister should yesterday have been addressing a conference at Wilton Park (the British Foreign Office's conference central foreign Office's conference central foreign of the foreign of tre) in Sussex, England, on "Communist Orthodoxy and the Multi-Party State." Instead, he is punching buttons on an orthodox community. nist intercom and is surprised to get his secretary who springs into his office to tell him that the Czech Prime Minister is waiting to see him.

Asked if he would – as he

has proposed in a recent paper - start to institute "a heavy dose of monetarism," as he advocated in a recent paper, he replied: "I would like to, but the question is: Is the Czechoslovak public ready for it? And are my colleagues in the Government ready for it?" He enjoys a "hroad consensus" with the other two members of the economic team – Dr Val-ter Komarek, the First Deputy Prime Minister and Mr Vladimir Dlouhy, head of the Pian-ning Commission.
"We all agree that the flood

of 'easy money' must be stopped. The problem is the sequencing of the reforms, which is essentially an eco-nomic problem. There is also the political problem of selling it to the public. The rest is basic, textbook stuff."

He criticised Western misconceptions about Czechoslo-Continued on Page 18



#### Bulgaria plans free elections by June

By Judy Dempsey

BULGARIAN leader Potar Mladenov yesterday promised free elections by June and an end to the Communist Party's automatic right to rule. "We propose that the National Assembly organise new, free democratic elections by the end of May," he told a meeting of the party's deci-sion-making central commit-

Mr Mladenov proposed that a new constitution that drops any reference to the leading role of the Communist Party be drafted by the end of next year. The present constitution enshrines such a role.

The promised reforms came in response to demands from the increasingly confident opposition and follow a four-week whirlwind of political change culminating in a prodemocracy rally in Sofia on Sunday which drew tens of thousands of people onto the

It remains unclear if independent parties will be allowed to put up candidates, although BTA, the official news agency, reported that Mr Mladenov, who last month ousted from power Mr Todor Zhivkov, "favoured free elections."

The new constitution is expected to legalise many of the independent groups which have mushroomed in the past six months, enabling them to take part in the elections.

Mr Mladenov, who has moved quickly to consolidate his power since becoming party leader on November 9, also said the party congrescheduled for next year would be brought forward. This will give the leadership an opportunity to replace the conserva-tive provincial party secre-

taries. Courting the people; Race for president narrows, Page 2

# offer for UK retail bank

DRESDNER BANK, West month.

Germany's second biggest Coun
bank, is bidding jointly with banking
Banque Nationale de Paris
Group

tic rival, of Morgan Grenfell. Yorkshire Bank, which has 247 branches and assets of 23.23bn, is likely to cost about as much. However, both Dresdner Bank and BNP, which had total assets of DM231bn (\$131bn) and FF1,135bn (\$199bn) at the end of last year, should not have too much trouble raising the cash. The German bank made a DM1.2bn rights issue last

hoards.

flood danger ....

need for scrutiny ......

Speaking at the bank's autum press conference yes-terday, Mr Wolfgang Röller, Dresdner Bank's speaker (chief executive), said that the two in all major European markets. He reaffirmed the commitment of Dresdner Bank, whose

first meeting, at BNP's Paris headquarters, to discuss fur-

Full operating profits, which Continued on Page 18

INTERNATIONAL

-RANGEUT AIN: FOR THE 1990ASE.

Quadrant House, The Quadrant, Sutton, States, SNO, 5AS, England.

There are already too many carmakers for Europe's crowded roads, yet even more are fighting for a share of the market. December's International Management assesses the likely winners and losers and comes to some tough conclusions.

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# Dresdner and BNP make joint

(BNP), the second biggest bank in France, for Yorkshire Bank, the UK retail bank put up for sale earlier this year.

The bid, which pitches
Dresdner Bank and BNP
against National Australia
Bank and at least one other foreign institution, is another example of the growing Euro-pean interest in the UK bank-ing scene following last month's £950m (\$1.5bn) purchase by Deutsche Bank, Dresdner Bank's higger domes-

month.
County Bank, the merchant banking arm of the NatWest Group which is handling the sale on behalf of Yorkshire's four owner banks, said yesterday that a buyer was unlikely to be announced until the end of January. The sale is believed in have attracted strong bidto have attracted strong bidding interest since it represents a rare opportunity to buy into the UK retail banking market. However, the high price tag has narrowed the field of potential buyers. Dresdner Bank and BNP

already have a number of banking joint ventures around the world. Last June they tightened their links by reaching a ground-breaking decision to appoint representatives to each other's supervisory

European strategy has been overshadowed by its bigger domestic rival, to becoming a leader in retail and investment banking worldwide.
Tonight, the full boards of
the two banks will hold their

ther ways to implement their strategy.
Hinting strongly at a dividend increase, Mr Röller announced the best 10 months'

results in Dresdner Bank's his-tory. Partial operating profits at group level rose by 20 per cent to DM1.52bn from DM1.26bn in the same period last year. Buoyed by strong credit demand in the booming German economy, interest income resisted pressure on margins to climb by 1.3 per cent to DM3.46bn, while fee income soared by almost 29 per cent to DM1.51bn.

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partners aimed to create a wide-ranging banking network CONTENTS Foreign aid: Third World watches anxiously as Thailand coalition shaken by help flows to Eastern Europe .... dispute over interest rate Bangladesh: World Bank's \$10bn plan to stem



Companies .... World Trade . Britain .... Companies ...

(left), Thailand's Finance Minister, has his Prime Minister and the advice of the centrai bank governor by refusing to raise interest rates. The Issue has severely shaken the ruling coalition.

Commercial Law

age cleans up in the bath .... China: Survey ... -Wall Street --London -----Technology ----Unit Trusts -----13 Value of £, \$, etc .... 40 Weather 15 World Index ......

Britain and the European Community: The

Lex: Telecoms, Cariton, English China Clays,

Technology: Pioneer waste treatment - sew-

London; Tough agenda for V. P. Singh ......

# IG Metall to push for shorter hours

By David Marsh in Bonn

IG METALL, the giant West German metalworkers' union, has kindled employers' fears of damaging strike action next year by lodging a claim for a 9 per cent wage rise and a two-hour cut in working time in

forthcoming pay talks.
The union's executive board, meeting in Frankfurt, yester day formalised a package of pay and shorter hours propos-als for next year's negotiations which would add a total 12 per cent to industry's wage bill. IG Metall already forced through a cut in the working week five years ago from 40 to 37 hours. It now wants a fur-ther reduction to 35 hours next year, although it accepts that this would have to come into

effect in stages.

The metal industry employers' association, Gesamtmetall, yesterday called the union demand "highly exaggerated" and warned it would "poison" the economic upswing. Mr Dieter Kirchner, the organisa-tion's general manager, said IG Metall was going well beyond West Germany's economic limits, and said further cuts in the working week should wait for the post-1992 completion of the European single market. IG Metall - West Germany's

largest union, which generally sets the tone for country-wide industrial wage bargaining – says that employers can afford the demands in view of full order books and soaring corpo-It says living standards of its 2.5m members have suffered as

2.5m members have suffered as higher-than-expected inflation has eaten into a three-year pay and shorter hours deal reached in 1987. With many large employers in the engineering and metal industries fearing a strike next spring, the Government and the Bundesbank have warned against adding to inflationary pressures through excessive pay claims.

The mion reckons that the The union reckons that the

metal-working industry employing about 4m people can relatively easily finance the suggested pay package through productivity gains. Mr Klaus Zwickel, an IG Metall wage round strategist, said yes-terday that the metal industry had shown annual average gross profit increases of just under 10 per cent between 1985

# Pravda chief denies Gorbachev threatened to quit Debate over

By Quentin Peel in Moscow

MR Ivan Frolov, editor of Pravda and one of Mr Mikhail Gorbachev's closest political advisers, denied last night that the Soviet leader had formally threatened to quit at the week-end in the face of a revolt by conservative members of the Communist Party Central

But he made clear that the Soviet leader had been forced to use his full authority at a Central Committee session on Saturday, and had insisted that he would never preside over a return to the old central command structure of Communist Party rule.
The rumours of the Soviet

leader's alleged threat to resign have swept Moscow on the eve of a new session of the Soviet super-parliament, the Congress of People's Deputies, which starts today. The politi-cal debate at the Congress will centre on the monopoly role of the Communist Party, the need for either a drastic acceleration, or deceleration, of the economic reform process, and on the whole relationship between the Soviet republics

and Moscow's rule. Mr Frolov confirmed that Mr Gorbachev had been forced to denounce party critics who claimed that perestroika was "a step back from socialism."

set for substantial gains from last weekend's local elections, Reuter reports from Tallian. Estonia. Preliminary results yesterday in Tallinn showed a 12-member radical alliance had picked up 18 of the 80 city council seats after preference votes were counted, and was likely to win at least 40 when the final tally was calculated.

Among the 18 was a member of the Greens. A complex preferential voting sys-tem means the full outcome will not be known for several days. Mr Henry Soova, a

the Soviet leader, such as Mr Boris Yeltsin, and Professor

Yuri Afanasyev, with a dire

warning of the consequences of pressing reform too fast. "It is very easy to call a two-hour strike today, and tomor-

row a general strike," Mr Fro-

lov said, referring to the abortive attempt yesterday to call a

political strike to demand the repeal of the Communist Par-

we are in Russia, and we can call upon blood, a lot of blood."

The threat to resign was mentioned first by Mr Indrek

Toome, the Estonian Prime

Minister, who said that Mr

Gorbachev was criticised

"because we are praised and flattered by the capitalist

"You must remember that

ty's "leading role."

and projections said candidates backed by the radical Popular Front - whose official platform includes independence from Moscow - looked likely to clinch more than tested the elections along party lines.

world, and that this was a predict that it will stick to the At the same time, Mr Frolov rounded on radical critics of pretty clear sign that something was wrong.
"Gorbachev could not control himself after that, and said: If that is the opinion, we will discuss the matter, and I am not clinging to my post,"
Mr Toome told the Estonian

newspaper Noorte Haal.
Whether he did so or not, the division in the highest ranks of the ruling party was the most graphic demonstration yet of the way in which the Soviet reform process, and the upheaval in Eastern Europe, has crystallised the debate on the eve of the Congress.

No leading figure is prepared to predict the outcome of the 2,250-member assembly, meeting for its second session since it was first elected last May. They are not even prepared to

60 per cent of the vote. However, analysts said the apparent success of the radical groups should not necessarily be seen as a defeat of the communists who had not con-

Communist Party official, said the mayor of

Tallinn was likely to be among those

In neighbouring Latvia, television reports

agenda.

Perhaps the most revealing decision by the Soviet authorities has been not to televise the proceedings live, on the grounds that labour productlyity across the country dropped 20 per cent when they did so The most fury has been gen-

erated by the demand of the 400-plus radical deputies in the so-called Inter-regional Group that Article Six of the Soviet constitution, which enshrines the leading role of the Communist Party, should be put on the agenda – and scrapped. That was the key element hehind yesterday's abortive strike called by Dr Andrei Sak-harov and others, which reportedly caused two-hour stoppages in places as far apart

French plan

as Lvov in the Western Ukraine, the Moscow suburb of Zelenograd, and the Arctic mining town of Vorkuta, but

mining town of vorates, but no mass protest.

Mr Gorbachev won the back-ing of conservatives for his rejection of any immediate debate on Article Six, although he does accept that it can be questioned as part of rewriting the entire constitution.

However, the Congress is

However, the Congress is certain to be dominated by a crucial debate on the future of economic reform, with many deputies calling for the reim-position of central controls to prevent runsway inflation, and further dislocation of essential supplies.
The radicals fear that Mr

The radicals fear that Mr Nikolai Ryzhkov, the Prime Minister, will give in to the demands, rather than pressing through promised reforms on property rights, land laws, the devolution of budgetary power to the regions, and the first steps towards price reform. Mr Ryzhkov's emergency backson Ryzhkov's emergency package follows the radical lines of the economic programme drawn up by his deputy, Dr Leonid Abalkin, setting out clear progress towards a comprehensive market economy, or whether he opts for a more popular reimposition of controls.

# unity moves to streets of Leipzig

By David Goodhart in Leipzig

LEIPZIG last night was the stage for a noisy shouting match between supporters and match between supporters and opponents of German unity, on the occasion of the first Monday night demonstration in the city since the election of the new SED leadership.

For the second week running, supporters of Unity – many simply chanting "Deutschland, Deutschland"

seemed to narrowly outnum-

seemed to narrowly outsimber opponents or neutrals. Although the total number of demonstrators gathered in Karl Marx Square for the premarch speeches was less than in previous weeks, it was still well over 50,000.

The most common betweer on display was "Deutschland Einig Vaterland" along with the West German flag. But opponents of Unity had the best sense of humour. "Germany within the borders of 1254, Naples remains German" read one banner.

A hard core of two or three

read one banner.

A hard core of two or three hundred nationalists occupied the steps of the Leipzig Opera House before the march shouting nationalist elogans such as "No Reds on the march." A few dozen committed supporters of a renewal ted supporters of a renewed Socialist East Germany tried to

Socialist East Germany tried to whistle them down.

Some Leipzigers had feared violent clashes between the groups within the inreasingly differentiated opposition movement. So far there seems no danger of that and the fear may simply be lack a lack of experience, with the public, but peaceful, clash of opinion.

Although, as yet, none of the opposition or block parties represents the strongly nationalist mood of some of last night's demonstrators, an increasing demonstrators, an increasing number of politicians accept that a large block of opinion in the country favours unifica-

The best bet is that the minority of East Germans are strongly in favour of unification, a minority strongly against and most somewhere in between. The latters' feelm between. The latters lear-ings are probably best repre-sented by the hanner at an East Berlin demonstration over the weekesst. "First Grow Up and then Think About Marriage."

#### Czechoslovak presidency race narrows to two By John Lloyd in Prague

THE PRESIDENCY of Czechoslovakia now depends on the outcome of a fierce political debate between the groups making up the govern-ment. The choice has parrowed to Mr Vaclav Havel, the Civic Forum leader, and Mr Costmir Cisar, a former Education Min-ister in the 1968 Cabinet. Mr Alexander Dubcek, the

Party leader deposed in 1968, and Mr Ladislav Adamec, who resigned as Prime Minister last week, have also been proposed as candidates However, a broad agreement already reached rules out a Slovak (because Mr Marian Calfa, the Prime Minister, is from Slovakia) and a member of any party. This appears to rule out Mr Dubcek, as a Slovak, and Mr Adamec, as a Communist Party member - though Mr Ondre Sal-ink, a Communist Praesidium member and

member, said yesterday that they were still "serious candi-Mr Cisar, who had been pro-posed as President in 1968, has sheady won the support of the Communist Youth Movement and is assumed to be the Communist candidate. Mr Havel has the overwhelming support of radical Prague - but it is clear that this radicalism is diluted outside the city and other major centres of Bratis lava, the Slovak capital, and Brno, the Moravian capital. Mr Salink said that the new

President, who must be the within the next 12 days, must within the next 12 days, must "follow the principles of our democratic presidency, show richness of character and ensure the stability of the

### **Bonn parties back** confederation move

By David Marsh in Bonn

BOTH OF West Germany's senior political parties yester-day backed plans to move towards an all-German confederation as signs mounted of grave difficulties in East Germany caused by economic dislocation and the flood of emigres to the West

As ADN, the East German news agency, reported that Soviet troops had been called in at Rostock on the Baltic coast to relieve hospital staff shortages, an opinion poli indictated that half the West German population now

believes in reunification. According to a survey by the Sample Institute, based in Schleswig Holstein, 58 per cent of West Germans believe the two Germanys will come together again in the next decade. This is twice the percentage of two months ago. Speaking to a meeting of his

Christian Democratic Union (CDU) in West Berlin, Chancel-lor Helmut Kohl emphasised that reatizining "state unity" remained the Federal Republic's long-term goal. The idea of establishing "confederative structures" betwee states - as proposed in his 10point unity plan a fortnight ago – would form an interim

The Chancellor attempted to dampen down fears abroad and

in East Germany of a "go-it-alone" stance on German unity. He said he deliberately had not used the word "confed eration" in his 10-point plan because such a form of unity could not be set up as long as East and West Germany belonged to competing military

"The goal of our policies has never been, and will never be, to establish an over-powerful Germany in the middle of Europe," the Chancellor

The Opposition Social Demo-cratic Party (SPD), meanwhile, which has been placed on the

The SPD badly needs to regain profile over the issue in view of the likelihood that the theme of reunification will dominate next year's general election campaign. The SPD issued a statement

ahead of its party congress' next week in West Berlin in which it called for a confedera-

endum would be necessary in the two states to decide this

defensive by the accelerating developments in East Ger-many, yesterday tried to clar-ify its policies on German

states within the next few years. Mr Hans-Jochen Vogel, the SPD chairman, sald a refer-

### Baker denies US is at odds with **UK over European integration**

By Robert Mauthner, Diplomatic Correspondent

THE US and Britain are not Europe and the US as a signal drifting apart over West European integration, Mr James Baker, the US Secretary of State, said in London yesterday after talks with Mrs Margaret Thatcher, the British Prime

Referring to a statement by US President George Bush at a Nato meeting in Brussels last week, which suggested that an intensified effort by European Community members to achieve unity would be desirable, Mr Baker said there might have been "some misun-derstanding" as to what exactly was meant.

Mr Bush's remarks, made after his meeting with President Mikhail Gorbachev of the

more positive policy towards European integration. In London, however, Mr Baker appeared to be at pains to counter the impression that Washington was calling on Mrs

to Mrs Thatcher to adopt a

Thatcher "to get her European act together." The British Prime Minister, though at first clearly taken aback by the implication of President Bush's remarks for Anglo-American relations, subsequently said she had no problem with President Bush's statement.

Mr Baker, who also had talks with Mr Douglas Hurd, the British Foreign Secretary, denied that "any fences needed dent Mikhail Gorbachev of the Soviet Union in Malta, have been widely interpreted in mending between Washington and London. "We feel a special relation to the UK and to the

Stanko Stojcevic. He was speaking in Zagreb at the start

of a Croatian party congress where the central committee

tions for the republic's parliament should be held next

month, instead of March, and

his talks.
According to the Downing Street statement, Mr Baker made clear that, in using the word "integration," the US had in mind the completion of the single european market in 1992 and did not include the con-cepts of European Monetary Union and the Social Charter, on which Mrs Thatcher found herself in a minority of one at last weekend's European Com-

munity in Strasbourg.

Mr Baker, who later flew to
Berlin, where he will meet
West German Chancellor Helmut Kohl today, is understood to have made it clear that, while the US strongly supports European integration, it is not trying to tell EC members by what means to achieve it.

# Party in Croatia backs free elections THE Communist Party in subjects and programmes." Croatia, Yugoslavia's second said Croatia's party leader, Mr

the neighbouring republic of Slovenia, whose Communist Party has pledged to hold free elections next May for the Slovenian parliament. It widened regions and Serbia, the largest of the six republics, whose leadership has explicitly ruled should be wholly free. out a multi-party system. Ear-The proposal, which must be lier this month it broke all eco-

high-speed train study By William Dawkins Prime Minister," he said after FRANCE is preparing to launch a research progra

on a new generation of high-speed trains (Trains à Grande Vitesse) capable of travelling at 350km an hour. The project, now in final stages of preparation, would cost between FFr460m (248m) and FFr515m (254m) over four years. Government officials said the Industry, Transport and Research Ministries would provide FFr170m, the SNCF rail board FFr95m, and private

companies the rest. The present TGVs, made by GEC-Alsthom, manage a top commercial speed of 300km an hour on the recently opened TGV Atlantique line, though an adapted version of the an adapted version of the GEC-Alsthom locomotive last week set a new world rail speed record, 482km an hour.
One challenge for the programme will be how to protect faster trains against pressures encountered in tunnels. TGVs entering tunnels at more than 300km an hour create such a build-up of air that they risk

officials. Another is to enable TGVs of the future to run on the four types of current used on electrified track across

#### Turkish union loses patience

By Jim Bodgener in Ankara

RISING labour militancy in Turkey's public sector surfaced yesterday as delegates to the first day of the annual con-gress in Ankara of Turk-Is, the country's biggest union confederation, delivered strong rebuffs to ministers.

State minister and senior State minister and senior government economic spokesman, Mr Isin Celebi, was booed off the podium at the meeting, while congress also rejected a demand by Mr Namik Kemal Zeybek, the Culture Minister, to make a response to Mr Suleyman Demirel, head of the opposition True Path Party.

The angry show of rejection in congress was unperalleled since the 1890 military coup, according to Ankara observers.

Organised labour's patience is wearing thin over two years

is wearing thin over two years of continuing high inflation, which union officials say was running at an annual 70 per cent at the end of November. High inflation has already eroded public sector wage rises of 142 per cent which were granted to the mainly public sectory Turk-Is affiliated unions last May. Unions wrested the award from the Government of Mr Turgut Ozal, then Prime Minister, after waves labour unrest

#### competition of equal political endorsed by the congress, put nomic relations with Slovenia. Europe. threatened to turn into strikes. Confederation and nationhood: Germany debates the future

Leslie Colitt in Berlin examines the East German reception likely to await Chancellor Kohl next week

MR Lothar Spath, the Christian Democratic (CDU) Prime Minister of the West German state of Baden-Württemberg, was yesterday given a taste of the triumphal welcome which Chancellor Helmut Kohl should get when he meets the East German Prime Minister, Hans Modrow, in Dresden next

Descending on the Saxon

metropolis with representa-tives of Daimler-Benz, Bosch and other major companies residing in his state, Mr Spath received the kind of reception that might have been accorded to a visiting Middle East oil minister in a West European state in the mid-1970s. But Mr Spath not only bore tidings of future industrial co operation between West and

to Stuttgart, he spoke to a rapt audience about the political future of the two Germanies. West German leaders are being invited in droves to Dresden, East Germany's "Flor-ence-on-the-Elbe", which is still badly scarred by wartime aerial bombing and slab postwar housing. Dresden is the political home of East Germany's two foremost reformers, Mr Modrow and Mr Wolfgang Berghofer, the Mayor. Until recently Mr Modrow was the Party first secretary of Dresden district. Mayor Bergh-ofer, for his part, helped avert a potentially disastrous clash

last October between irate citi-

East German companies. On a special East German TV programme on Sunday night, which was relayed back home

elected deputy heads of the beleaguered Communist Party. Mr Berghofer, a man of aristocratic demeanour, appeared together with Mr Spath on tele-vision, and to East German viewers it appeared as if the communist mayor and the folksy CDU Prime Minister were in virtual agreement on

Croatia, Yugoslavia's second biggest republic, called yester-

day for free, multi-party elec-tions in a move reflecting the

impact of the political revolu-

socialism without political plu-

ralism besed on the right of political association and the

There can be no democratic

reports from Belgrade.

most important issues.

Mr Späth noted that for the first time the two Germanys had an open border and would soon both have freely elected parliaments alowing them to solve most of their problems in a "community of treaties", borrowing a phrase from Prime Minister Modrow's own towards the rest of Europe

speeches. At this point they would need "joint parliamen-tary committees" and then "we will be close to a confederation" he remarked, blinking through heavy glasses at the camera. Of course, he added, all this would be embedded in the process of European unifi-cation and would take place as the military alliances were wound up.

Mayor Berghofer nodded in

agreement. A German confederation, he said, would have to be anchored in the European House and vice versa. "We are one nation and two states", he said, reminding viewers that the "community of trust" required by the two German states, was also needed in their relations

which still fears the rise of Mr Spath responded by not-ing that West Germany would increasingly surrender its sovereign rights to the European Community, and thus would remove the lingering fears of its European neighbours over the future of Germany. Mayor Berghofer remarked

late in the programme that he did not expect his Socialist Unity (communist) party to win a majority in the first free elections set for next May 6 . We will accept any result, I sume we will no get a major-

Mr Späth did not comment. Was there not a danger, the East German moderator asked, in the politest way possible, that the strongest partner

(West Germany) would "pull the wool over the eyes of the weaker one? (East Germany). Mr Spath assured the audience that any fear of being taken in by a stronger west Germany was unjustified. After all it was the weaker economic partners in the EC which benefited the most from

That fear apparently laid to rest, the moderator asked the participants what they expected form Mr Kohl's impending visit to East Germany. Dr Herbert Wagner, a mem-ber of the 20-member citizens' opposition group, said, "We expect a great deal" from the Kolh-Modrow meeting. Dresdeners would give the Chancellor a rousing reception. "Many people will go into the streets

Chancellor Kohl, still smart-ing fom the booing and heckl-ing he received in West Berlin last month after the opening of the East-West German borders. will look forward to Dresden. Another participant, Mr Friedrich Wokurka, director of the Robotron Kombinat, the country's largest electronics firm, with 67,000 employees, said he expected a number of economic agreements from the inter-German summit. East Germany, he noted, would take steps to alter its "forms of own-ership" in the near future. He agreed with Mr Spath that what East Germany needed was smaller, more flexible and privately owned producers in order to stimulate competition

to welcome him." he forecast.

# Bulgaria's new leaders face need to win over the people

Provincial party barons are clinging to power and the populace is widely cynical about reform, writes Judy Demnsey

IVE NIGHTS after the successful release cessful palace coup which dis-lodged from power, Mr Todor Zhivkov, Eastern Europe's longest serving leader, a meeting took place in a small apartment in the outskirts

It was no ordinary meeting, since, under the last years of the Zhivkov regime, few intellectuals trusted each other. The country was riven with rumour and suspicion. People tended to keep to themselves.
This meeting was also different for another reason. Mr Andrei Lukanov,

who was to be promoted to the polit-

buro four days later, on November

16, made a direct appeal to 15 of the country's top intellectuals. Although they had been euphoric, if not incredulous about the coup, they remained somewhat sceptical that Mr Petar Mladenov, the 53-year-old new party leader and former Foreign Minister, would breath fresh life into the country. But Mr Luka-nov, who for so long had remained in the shadows of power, reassured them that things would change. But, he added, "it would not be easy." As if to demonstrate his sincerity, the following days and weeks were

remarkable if not revolutionary.

Thousands of people have been Although Bulgaria went through a ons", have for years ruled their fiefallowed to demonstrate for a multi-party system and an end to

movements, ranging from Eco-Glas-nost, the environmental group, and Podkrepa, the independent trade union, who only three months ago had been under house arrrest, are now publicly quoted by the state-run media The leaders of the independent A Sunday television programme

taken off the air during the summer for criticising the Zhivkov leadership, was recently host to the country's leading critics, including Mrs Blaga Dimitrova, the writer and poet. The upshot is that a new confidence is sweeping through the country's hitherto muzzled intellegentsia. Such new-found freedoms are likely to endure. This week, the National Assembly will push through legislation allowing the right to demonstrate and organise. But unlike Poland, Hungary, East Germany or Czechoslovakia, the Bulgarian intellegentsia is pitifully small to push through the awesome tasks now facing the new leadership. One of those first tasks will be to confront the country's traditions.

massive period of industrialisation during the late 1950s and 1960s, it did so without a working class. Industrialisation and its attendant giant enterprises were manned by uprooted peasants. Also, in contrast to some of the other countries in Eastern Europe, the wave of industrialisation had no middle or nearestal. ation had no middle or managerial class to mitigate this upheaval.

Thus, as industry expanded under the direction of inexperienced apparachiks, agriculture was neglected. As a result, there is now an acute labour shortage in the villages and, compounded by economic mismangement, a shortage of basic food sup-

Bulgarian economists reckon that the only way to overcome these shortages is to introduce a radical agricultural programme which could entail breaking up the large agro-in-dustrial complexes and giving the land back to the peasants. That, they say, might provide an incentive for young people to return to the vil-

But in the provinces themselves the party leadership is faced with even a more acute problem. Here, the corrupt, so-called "feudal bar-

doms with an iron hand. And like the problems besetting the Soviet leader, Mr Mikhail Gorbachev, they

remain deeply conservative, if not hostile towards any change.

"They will lose their privileges. They will have to be accountable. And they will have to work hard," said Mr Georgi Pirinsky, the newly elected Deputy Prime Minister.

But the man responsible for imple-But the man responsible for imple-

menting these changes, Mr Lukanov, the 51-year-old polithuro member now in charge of economic and cadre policy, will have to tread very carefully. For it was these provincial party secretaries, who, two years ago, succeeded in ousting the reform-minded Mr Chudomir Aleksandrov who dared to challenge the omnipotent rule of Mr Zhivkov. Mr Lukanov will face similar resistance, if not more, because his own power base in the party is uncom-fortably weak. Unlike Mr Aleksan-

drov, however, he not only has the full support of the new leadership. His political and economic skills are crucial for Mr Mladenov's survival. But for those outside the party and who do not belong to the intellectual elite, the leadership will have to move fast to win them over. For one thing, the population is either cynical about reforms or unsure why they are needed. Their scepticism has been reinforced over the past five years by Mr Zhivkov's "reforms" which amounted to no more than lip-service to Moscow.

Also, people still fear the perva-sive power of the secret police. Here,

Mr Mladenov has moved quickly. After dropping from the politicuro, Mr Dimitar Stoyanov, the hardline former Interior Minister, he dis-banded the ministry's notorious Sixth Department which had been set up to "lead the struggle against ideologicial subversion."

In the longer term, the leadership recognises the need for an economic

and social strategy to catch up on the time squandered by Mr Zhivkov. In a recent interview Mr Lukanov spelt out what the leadership had in The drawing up of constitutional

amendments which will make elec-tions on both the local and national level competitive The overhauling of the legal system aimed at strengthening human rights, allowing the right to travel, the right for appeal in the courts,

1975 Helsinki Final Act. Greater tolerance for religious freedom and minority rights.

An economic policy whose first aim is to break down the obsession with secrecy, publish statistics and start work on a draft economic plan which will be ready to implement by

The drawing up of new party stat-utes which will be presented to the party congress scheduled for late • The separation of party from government aimed at giving the state

genuine freedom in economic mat-

Mr Lukanov admits that some of these items are vague. They are still, as he puts it, at the drawing board stage. In a country obsessed with secrecy and mismanagement, he says that even the economists have no clear picture of the real state of the economy.

But he does know what sort of want a humane and just society which will overcome, what he terms the "political mores" of the country, a emphemism for corruption, nepoFINANCIAL TIMES

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# Socialist challenges strongly in Brazil

By Ivo Dawnsy in Rio de Janeiro

THE socialist candidate in Brazil's presidential elections, Mr Luis macio Lula da Silva, yesterday looked capable of overtaking Mr Farnando Collor de Mello, his centre-right rival, in the last five days of the cam-

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According to an opinion poll published by the Folha De São Paulo newspaper, only three percentage points now divide the two with Mr Collor on 47 per cent and Lula, as the Workers' Party (PT) candidate is known, on 44 per cent. Less than two weeks ago, the Datafolha polling organisation showed Mr Collor 13 points ahead. Now, the results are within the poll's margin for error and therefore represent a

technical tie. With three days' official campaigning left before the decisive December 17 ballot, unconfirmed reports also claimed that the most up-to-date soundings taken by another polling company, Toledo Associados, have found Lula to be leading by 2 per cent

The momentum behind the left-winger provoked another nervous day in the financial markets with gold and the black dollar both rising

sharply.

At midday, the dollar was selling at 21 New Cruzados, up from an opening price of NCz17.6 and under NCz14 last Thursday. Many businessmen

The sharp improvement in Lula's poli results has been shown across all regions with marked growth in metropolitan areas. To the surprise of many, he has won a substantial measure of support from the middle class despite his claim to represent the interests of Brazil's dispossessed. His corporatist views, belief in a command economy and opposition to privatisation appear not to have damaged his support with the bulk of

who had long believed Mr Collor, an advocate of liberal economic policies tions — the first free presidential poll for 29 years — now believe he will be pipped at the post of the votes of the rural policies and corrective land to the votes of the rural policies. of liberal economic policies who comes from a wealthy north-eastern family, has held on to the votes of the rural poor and conservative landowing and business interests.

With the political tempera-ture rising markedly, both can-didates now have only until Thursday to win over the undecided when a televised debate will end the campaign. Mr Collor appears determined to step up his attacks on his rival accusing him of both anarchistic and fascistic traits. Lula, meanwhile, looks set to continue characterising his opponent as the champion of Brazil's discredited oligarchy.



# Bush defends China 'initiative'

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush argued that the bills were vesterday strongly defended unnecessary because he had rkesipent George Bush yesterday strongly defended the weekend visit to Peking by two senior foreign policy offi-cials as an attempt to avoid the isolation of China and an exploration of the resumption

of relations. His statement about the visit came as Congressional leaders argued that it sent the wrong signal only six months after the massacre of demonstrators

in Tiananmen Square.

The visit is likely to exacerbate the tension between the Administration and Congress over China since Mr Bush vetoed legislation on economic sanctions and granting Chi-nese students visa extensions if they were in danger of perse-cution at home. Mr Bush has

taken executive action and the bills intruded into his foreign policy prerogatives.
The official Administration

line yesterday was that the visit was to ensure that China is not isolated and to keep the Peking leadership in touch with US views on the rapidly changing situation in Eastern Europe and the Soviet Union. However, there were unconfirmed reports yesterday that the main purpose of the visit by Mr Brent Scowcroft, the president's national security adviser, and Mr Lawrence Eagleburger, the deputy secretary of state, was to discourage the Chinese leadership from selling ballistic missiles to Syria and

other Third World countries. Before the president's statement, Mr Marlin Fitzwater, his press spokesman, said that Mr Bush had always felt that while the US must express "its moral outrage and indignation at the events of June - and must take actions adequately to represent that feeling throughout the world - we would not turn our back on productive relations with China. It was a country with which we would continue to try to normalise relations as

Mr Fitzwater stressed that all the US sanctions were still in place. These involve the suspension of government-to-gov-ernment sales

### Mexico paves way for vehicle imports

By Richard Johns in Mexico City.

MEXICAN manufacturers will be able to import vehicles from 1991 but the volume must not exceed 15 per cent of vehicles sold by the manufacturer that year or in 1992 under new rules issued

late last week.
Authorisation to import is limited by the requirement that companies should con-tinue to generate a foreign exchange surplus in their

Some obligations relating to the local content of vehicles. produced in Mexico, which were written into the previous automotive decree issued in 1983, have been dropped. But at least 36 per cent of the value-added of finished products must be accounted for locally. Since 1986 Mexico has adhered to the General Agreement on Tariffs and Trade. It has gone beyond basic commitments in reducing import duties and opening its markets

motor commercial trade balance has be able to gone seriously into deficit, with the exception of motor vehicles, computers and phar-

> No comment was available from Mexico's five motor car manufacturers — General Motors, Ford, Chrysler, Volks-

> wagen and Nissan.
> However, Mr Cesar Flores
> Esquivel, executive president
> of the Mexican Motor Industry Association, said: This new, more flexible plan will enable companies to plan their strategies and confront external competition."

### Third World watches anxiously as aid flows to Eastern Europe

Barbados, has welcomed the dramatic political changes in Eastern Europe. "These are important changes," he told a trade conference in Miami last week. "The relaxation of tension and the creation of market economies in Eastern Europe are welcome developments."

Developing countries are likely to be forced to take different approaches to ensure they continue to get aid.

Officials have spoken with distributions of the countries of the Organisation for Economic Co-operation and Development to live are welcome developments. Behind this, however, Mr up to an undertaking to pro-Sandiford and other leaders of vide aid equivalent to 0.7 per economically embattled devel-

oping countries fear they will be left worse off. The concern, supported by statements from officials of industrialised states and investment bankers, is that the financial support for Eastern Europe will mean less for a developing world already beset by reduced official aid

and private flows.

"There has to be some consideration of the changes taksideration of the changes tak-ing place in Eastern Europe," said Mr Mark Edelman, acting administrator of the US Agency for International Development. "Ensuring the triumph of democracy and peace is what the US is interested in. American resources are limited and money for Eastern Europe will come out of what would otherwise have gone to Central America, Africa and the Middle East. We are in a zero-sum game in for eign aid and no one gets more

ss someone else gets less." These are hardly comforting words for developing countries afflicted with heavy debt bur-dens, net capital outflows and an urgent need for increasing quantities of aid, grants and soft money to support weak

"There are constraints on the aid budget, and there is a lack of additionality," says Mr John Wood, senior director of the Americas branch of the Canadian International Development Agency. Our assistance to Poland and Hungary has not been from our aid bud-get, but I cannot say that sup-porting the changes in Eastern Europe will not present a prob-lem of traditional recipients of

Developing countries hoping to attract foreign private investment are also likely to lose out to an Eastern Europe with market economies. The competitive edge in production costs which several middle income developing states have used to attract foreign business

may not now be considered the best bargain by investors.

"The changes in Bastern Europe will obviously have an effect on private flows to developing countries," said Mr David Suratgar, group director of Morgan Grenfell. "If companies from the Fac Fact for nies from the Far East, for example, which are contemplating investments feel they can get a better deal by going into Eastern Europe, then they

"Eastern Europe will be more attractive for direct investment and capital flows." Mr Sandiford concurred. "This

will mean the diversion of

maceuticals.

The decree appears to have satisfied the industry's demand for continued protection, which most manufacturers believed was necessary to ensure continued investment. However, it leaves open the possibility of allowing more imports later, by when domestic manufacturers should be able to withstand the competi-

LIKE most people, Mr Erskine Sandiford, Prime Minister of Barbados, has welcomed the resources from developing countries to Eastern Europe. Developing countries are

tion and Development to live cent of their GNP. Some middle-income developing countries have graduated from the group which can get soft money from multilateral insti-tutions such as the World

Some may take comfort from arrangements such as the Lomé Convention, which guar-antees aid and other financial support from the European Community to the African, Caribbean and Pacific Group when national aid budgets are under pressure. Mr Jurgen Koppen, counsellor for develop-

Barbados expressed fears about financial support common to many developing nations, reports **Canute James** 

ment affairs with the EC's delegation in Washington, suggested that the creation of a single European market after 1992 will increase the Community's capacity to dispense aid to traditional recipients.

The Japanese Governm which has committed \$50km in foreign assistance between 1968 and 1992, has concentrated on South-east Asia but has been giving increasing quanti-ties to African countries. Mr Yasumasa Nagamine, second secretary in the Japanese embassy in Washington, said his country's recent contribu-tion of \$150m to Poland and Hungary would be followed by more for Eastern Europe.

He suggested, however, that the newly industrialised coun-tries in Asia which have been receiving Japanese aid are about to achieve a level of development which will reduce their dependence on foreign

assistance. When this hap-pens more will go to the devel-oring countries."

Mr Sandiford is hoping that the "peace dividend" — the reduction in expenditure on defence — will benefit tradi-tional recipients of foreign

However, he is likely to be disappointed. "The pot of for-eign aid will not grow any larger," countered Mr Edel-man. "The savings from the defence budget will not mean more aid for anyone, but it will rent aid recipients. The Gramm-Rudman budget cuts [in the US] demand this. Savings from the defence budget will be used to reduce the

# Foreign-owned companies in US 'not harming economy'

two American economists, writes Guy de Jonquières.

The study, by Professors Edward Graham of Duke University and Paul Krugman of Massachusetts Institute of Technology, says foreign-owned companies in the US behave much like American companies and have not harmed the country's economy.

The authors also say the rise in

MOST of the concerns expressed in the politically-charged debate about increased foreign ownership of US to the past few years is unrelated to the country's current account deficit and that the growth of foreign companies role in the US economy alowed in the early 1980s after the de Lorquières. cit and that the growth of foreign companies role in the US economy slowed in the early 1980s after the deficit began to emerge.

They attribute increased FDI

almost entirely to the decline in US industrial and technological pre-eminence which began during the 1970s.
As a consequence the US, once the
home of most of the world's multinational companies, has increasingly become host to multinationals head quartered elsewhere.

The study, which claims to be the most comprehensive analysis of recent FDI trends in the US, was inspired by growing anxieties among the US public and politicians that for-eign — and particularly Japanese — companies have acquired too large a

These sensitivities, aggravated by deals such as Sony's recent purchase of Columbia Pictures, led to the passage last year of the Exon-Florio amendment to the US Trade Bill, which empowers the President to block foreign takeovers and mergers on national security grounds. The authors warn that the Exon-Florio provisions could inhibit FDI inflows unless used with great restraint.

They suggest Washington should revise military contracting rules so that it could compel foreign companies to invest in the US or to make lices to invest in the US or to make licensing deals with US companies when supplying defence technology. The study's most surprising finding is that FDL, as a proportion of total US manufacturing value-added and employment, grew much less rapidly from 1982 to 1986 than during the late 1970s, when the country had a that foreign buyers have unfairly used the currency's weakness to acquire US assets at bargain prices. "Foreign Direct Investment in the United States by Edward M. Graham and Paul R. Krugman; \$11.95. Institute for International Economics, 11 Dupont Circle N.W., Washington D.C. 20036. Tel: (202) 328 9000.

current account surplus. This was despite a continued rise in the stock of FDI, as measured by balance of payments flows.

While dollar fluctuations may have influenced these developments, the study finds no support for allegations that foreign buyers have unfairly



Following its excellent performance in 1988, BASF is heading for another record year in 1989. In the first nine months pretax profit of the Group surged 22.1% over the same year-earlier period to DM 3.2 billion. Group sales advanced 10.3% to DM 35.9 billion. Pretax profit of the parent company, BASF Aktiengesellschaft, soared 23.6% to DM 2.4 billion, and sales reached DM 16.9 billion, a growth of 9.5%.

High capacity utilization and a turnaround in the company's oil and gas operations contributed significantly to BASF's performance in the first three quarters.

Particularly brisk demand for dyestuffs and finishing products was the driving force behind the increase in profits and sales. Business in polyurethanes, intermediates and fiber intermediates was also above average.

International sales recorded notable gains. Capital investments were maintained at a high level in line with the Group's long-term strategy of strengthening its international competitive position.

Favorable Outlook

The results posted in the first three quarters, the rise in orders

on hand, and continued strong demand for BASF products point to another rewarding year for the Group and its shareholders as well as a good start in 1990 when the company will celebrate its 125th anniversary.

As one of the world's foremost international corporations, BASF is well positioned to reinforce its blue-chip status in the years to come.

BASF Aktiengesellschaft D-6700 Ludwigshafen West Germany

The Blue-Chip Innovators

#### **OVERSEAS NEWS**

# Thai coalition shaken by row over interest rate

By Peter Ungphakorn in Bangkok

MR Pramual Sabhavasu, Thailand's Finance Minister, refused to raise interest rates yesterday, defying the wishes of his Prime Minister and the advice of the central bank governor and head of the national planning agency.

The Council of Economic

Ministers, which has full Cabi-net powers, did agree on other measures in an anti-inflation package, and Gen Chatichal Chomhavan, the Prime Minis-ter, emerged from the tense and at times heated six hour meeting expressing satisfaction at the outcome.
But the issue has severely

shaken unity within the four party coalition government and worsened relations between the Finance Minister and the Bank of Thailand. already at a low ebb. Some That economists are seriously worried that the central bank could lose its independence

The heat generated is now quite out of proportion to the problem of inflation, currently running at a rate of no more than 5.5 per cent.

Mr Pramual apparently

threatened to resign over the interest rate issue and this is said to have persuaded the Prime Minister to accept a compromise solution. Offi-cially, the Finance Minister and the Bank of Thailand are to study again the implications of raising the statutory maximum lending rate from the present 15 per cent to 16.5 or 17

per cent. However, Mr Pramual, who is an important contributor of funds to Gen Chatichai's Chat Thai party, was given no deadline. He immediately pro-claimed triumphantly that the Bank of Thailand is now entirely under his control. He has said repeatedly he will not allow "millions" of borrowers, including small businesses and



individuals with home loans, to suffer from higher interest

Thailand's powerful eco-nomic growth, with a double-digit growth rate expected this year for the second year running, has led to overheating. An influx of foreign capital, attracted by the boom-ing stock market and land speculation, has added to demand, while strong world prices for rice and other cere-als have increased domestic

Economists are more concerned about expectations of continued inflation than about the present pace of price

Among the measures approved yesterday were the liberalisation of imports such as animal feed ingredients and construction materials; bond issues and other measures to absorb liquidity and limit bank fiscal 1991 to curb demand; and tax and other forms of discour-

#### Fresh controversy over township 'Trojan Horse'

By Patti Waldmeir in Johannesburg

CONTROVERSY over the role of the security forces in South Africa was fuelled yesterday when 12 policemen and an army officer were acquitted of murder in a 1985 incident in which three youths were

The acquittal comes in the midst of public concern over allegations that police hit squads have assassinated political opponents of the Government within and outside the country. Legal rights groups estimate that nearly 50 politi-cal activists have been mur-dered in South Africa in the past 12 years.

Last week, President F.W. de Klerk rejected calls for a judi-cial enquiry into the charges, prompting anti-apartheid groups to allege a cover-up. In

the 1985 incident, police gam-men concealed in crates aboard a delivery truck entered a coloured township near Cape Town in what became known as the "Trojan Horse" affair. When stones were thrown at the vehicle, officers emerged from hiding and fired on the crowd, which included innovouths.

The trial was the country's first private prosecution for murder. It was brought by the father of one of the dead

The judge advised police to stop such operations, but said there was no evidence to support allegations that there was a premeditated plan to kill stonethrowing youths if the truck were attacked.

#### Anti-apartheid groups divided

South Africa yesterday high-lighted their differences in the wake of the historic anti-apartheid conference which took place in Johannesburg last weekend, Patti Waldmeir

writes. One of the aims of the conference, which brought together 4,500 delegates in the largest such gathering ever held in South Africa, was to agree a united position to present to the United Nations, which is due to begin a threeday debate on South Africa today. The conference adopted

BLACK political groups in a declaration on South Africa's political future, which is known as the "Harare Declaration", and which is to be presented to the UN for endorsement.

> But yesterday, one of the two main political groupings at the conference, the Black Condissociated itself from the declaration.

A spokesman said the group and its affiliates had not voted for the declaration. He noted that it had been adopted by the Mass Democratic Movement

# Boat people repatriations to begin

By John Elliott in Hong Kong

HONG KONG is expected to start its long-awaited mandatory repatriation of Vietnamese boat people to Hanoi today despite considerable interna-tional opposition. A plane load of just over 50 people will be

the first to go.

This is intended to be the start of a gradual repatriation lasting more than a year of some 40,000 boat people who are expected to be rejected as political refugees in a screening process. The rest of a total of 57,000 boat people in Hong

Kong's camps are expected to qualify for resettlement in developed countries. No comments were available from the Hong Kong Government last night. But it is believed that officials plan to return a large proportion of

This marks a significant political success for Hong Kong whose Chinese population has grown tired of housing the boat people in the cramped col-

some 6,400 people, rejected so far as political refugees, within

the next few weeks.

ony. Local legislators have refused to vote more govern-ment funds to build fresh camps. They hope that the sight of the people being forced to return to their homes will deter more would-be boat people and prevent a repetition of the 30,000-plus who have arrived in the past year. By authorising the manda-

tory return, the UK is flying in the face of strong opposition from the US. It is also risking unrest in the camps where there have been violent clashes

in recent weeks. The clashes

have been partly caused by rising tension over repatriations. The Government hopes that counselling from staff of the United Nations High Commissioner for Refugees will persuade boat people to accept repatriation without a fight. repatriation without a fight. Vietnam has agreed to take them back provided they are not physically forced onto planes and ships. Hong Kong has been exploring the possibility of chartering large ferries to carry the returnees.

# 'Colony's best need insurance of passport'

ABOUT 700,000 to 800,000 passports with full right of abode need to be issued by the UK or other countries to Hong Kong residents if the British colony's economy is to thrive until China regains sovereignty in 1997, according to fig-ures outlined in a report pub-lished yesterday.

The report says that the passports should prevent key staff joining the brain drain of 45,000 to 50,000 people a year who are currently leaving, parties for Carada Assirals. mostly for Canada, Australia and the US, to gain the insurance of a right of abode abroad.

By Robert Thomson in Tokyo

THE Japanese Government yesterday began discussing ways of improving its relations

with China in the wake of a visit to Peking by Mr Brent Scowcroft, the US National Security Adviser. Tokyo regards the visit as a turning point in the West's attitude to

Japan has not wanted to

appear out of step with other

countries in maintaining a

freeze on ministerial contacts with Peking, despite strong pressure from Japanese busi-

ness for a resumption of politi-

cal and commercial contacts.

A senior official at the Minis-

try of International Trade and

Industry said that the visit by Mr Scowcroft, which included meetings with most Chinese

leaders, would quicken the

resumption of discussions on an Y810bn (£3.6bn) soft-loan

package that has been frozen

since the crushing of the pro-

"The Scowcroft mission is very important," the Miti offi-cial said. "We are not sure

when the loan talks will

resume but the visit makes a

difference. We also must take

democracy movement.

The report, prepared by Price Waterhouse for the Honour Hong Kong lobby group, esti-mates that economic growth could be stunted because of a shortage of key staff by as much as 45 per cent by 1997 on a cumulative basis.

However, the figures men

tioned are far above the levels expected to be offered by the British Government in a package to be announced before Christmas. The number is expected to be towards the lower end of the 100,000 to 200,000 bracket.

Japan looks at ties with China

Scowcroft: Briefed Tokyo on talks with Paking leadership

economic matters into consid-

eration." The official Japanese

view on the Chinese economy

is not as negative as that of most foreign commentators.

and government advisers

believe that reports of the

return to central planning by Peking have been exaggerated.

One adviser said yesterday

that "there are things in place that cannot be changed" by the

new conservative leadership

25,000 to 50,000 heads of families. A spokesman for the campaign group last night estimated that about 10 to 20 per cent of the 315,000 probably reduces the total to 250,000 to 280,000. There are estimated to between two and four fam ily dependents per person who also need passports. This means that the report is indic-ating a need for total number of passports in the 700,000 to 800,000 range.

• Peking officials adopted a

and that "we expect the econ-

omy to improve in the latter

part of next year".

Japanese banks have taken a

lead from the World Bank in

restricting new loans to China, but several Japanese banks

have participated through sub-

sidiaries in loan packages

organised in Hong Kong. How-

ever, an executive responsible

for China at one of the largest

banks are waiting for a sign from the Government before

that Mr Scowcroft's contacts with Chinese leaders will allow

encourages the World Bank to

fund new projects in China. Mr Scowcroft was in Tokyo

yesterday to brief Japanese

leaders on the Malta summit

Government officials believe

open lending resumes.

Japanese banks said that most

hard line yesterday when working parties started 10 days This would account for only

of intensive drafting sessions in the southern Chinese city of Canton on the Basic Law which will form Hong Kong's mini constitution after 1997. They confirmed Peking's intention to stick to its rights to station troops in Hong Kong and to insert an anti-subver-sion clause in the law, which would make it illegal for Hong Kong people to try to interfere in mainland politics.

They are also refusing to accept a demand that Hong Kong's chief executive should have sole right to declare mar-tial law.

#### Secret trials of students start

CHINA has started secret trials of Peking students active in the ill-fated protest movement of last summer, which ended with the military crackdown in early June, it was reported from the Chinese capital yesterday, Our Foreign

Staff writes.
Six students from the Foreign Affairs College went on
trial last month, four accused. of "counter-revolutionary" crimes and the other two of theft, though this appeared to be a pretext for prosecution. The trials are closed even to families of the accused, but some reports said that the students had been given sentences of seven to 10 years. These are the first trials of students who took part in the

them to give that sign to private banks, although the Government will be watching whether Washington now protests, though some workers and unemployed labourers have already been tried. The investigations had been highly sensitive since the Foreign Ministry, responsible for the College, had allowed students and on his talks with the Chi-nese leadership, while the Jap-anese Government was reportto join the protests. Diplomats expect the trials to begin next year of some of the thousands edly debating a plan to send its own special envoy to Peking to show that a return to normal arrested since June and accused of trying to topple the Communist Party.

# Demonstrators defy martial law ban with Peking protest

PRKING residents, defving martial law and an official ban on demonstrations, gathered outside the Ministry of Radio and Television at the weekend to stage the first anti-govern-ment protest since the massa-cre of June.

About 20 people held plac-ards criticising China's eco-nomic performance sad media censorship, but disbanded before police could move in and make arrests. It is under stood the rally was the first of what will be several small, strategic demonstrations aimed at pressuring the Communist Party to adopt moderate politi-

cal and economic reform.

It is not clear whether the protestors were students or protestors were students or workers, but observers believe the rally was organised by remnants of the May's democ-racy movement, violently put down when the Peoples' Liber-ation Army marched on civil-isms in central Peking on June

According to Chinese sources several people acted as advance guards to warn of any attempt by security forces to move in. They say the protest indicates that opposition to the Government is far from dead, and will continue on a small

Demonstrators held posters echoing a mild form of the claims made by students dur-ing the massive democracy marches earlier this year. One

placard read, "Why is this placard read, "why is this country so poor and weak." an attack on the Party's economic record, while another said, "Why can't you make TV programmes that make people happy?" an implied criticism of the media censorship that was at the core of students' discontant in May.

at the core or shadents discon-tent in May.

Although the protestors numbered less than 20, a large crowd gathered in apparent support, ignoring five police-men who stood nearby but did not try to intervene. The raily took place as China's leaders were entertaining a special delwere entertaining a special delegation of US envoys, including Mr Brent Scrowcroft, the ing Mr Brent Scrowcroft, the National Security Adviser, and Mr Lawrence Eagleburger, Deputy Secretary of State.

The suprise visit marked the first high level official contact between the US and China since June's massacre, and could open the way to other western nations, including Australia, moving toward closer ties with China. Canberra, now reviewing its relaberra now reviewing its rela-tionship with Peking, will decide later this month whether to maintain the tough line taken in the wake of the army's June 4 slaughter of an estimated 1,000 civilans.

China's leaders face mount-ing economic and political problems. With Zhao Ziyang, former party chief, in hospital with heart trouble, there is a fear of renewed protests.

#### Discussions fail to resolve \$83m debt with Indonesia

By John Murray Brown in Jakarta

INDONESIAN and Chinese officials have failed to agree settlement terms on a \$83m debt owed by Jakarta and outstanding since relations with Peking were frozen in 1967. At talks last week in the Indonesian capital aimed at normalising diplomatic rela-tions between the Far East's two largest countries, the debt issue was left unresolved. According to a joint press statement the issue will be further discussed by competent experts of the two coun-

Although unlikely to jeopardise the outcome of negotia-tions, the debt could none the less prove a thorny issue. According to Indonesians the credits were contracted by President Sukarno, Indonesia's first leader, for arms purchases and to finance the political activities of the now banned Indonesian Communist Party PKI. Peking's alleged support for the abortive leftist coup d'état in 1965 prompted the break. One mooted solution is just to write off the amount. The

rest of Indonesia's pre-1966 debt totalling just over \$2bu was rescheduled by the Paris Club countries in 1970, and the Soviet Union and Comecon countries the following year. According to Bank Indonesia the debt to China as at March

1989 was \$82.5m, which is believed to include accrued interest payments due. How-ever, the amount worth around \$40m in 1966 dollars makes no allowance for more than 20 years inflation.

#### Sudanese brutalities condemned by Amnesty

By Michael Holman, Africa Editor

SUDAN'S new military Government is continuing the torture and killing of villagers and prisoners in its campaign against southern rebels, Amnesty International, the London-based human rights organisation says in a report published today.

The current regime, led by

Gen Omar Hassan el Bashir, overthrew the civilian administration led by Mr Sadiq el Mahdi last June. The civilian government had itself been charged with widespread and indiscriminate killings in the fight against the southern-based Sudan People's Libera-tion Army (SPLA).

The 34-page Amnesty report corroborates these charges, which were set out early last year in a document compiled by aid organisations working Cases of army or militia kill-

ings cited in today's report include the shooting of up to War, \* Amnesty International, 1 1,000 people in the town of Easton St, London WCIX &DJ.

Wau in August and September 1987, the gassing of 60 civilians in Wau in August 1987, and the burning alive of more than 100 villagers in April 1988, in Bahr al-Ghazal province.
The United Nations esti-

mates that 500,000 people may have died in southern Sudan as a result of war and famine since the conflict began in Amnesty believes that "tens of thousands" of civilians have

been deliberately killed by government-backed militias, the army, and by the SPLA.

The bulk of the report covers the period up to last June. But it makes clear that government killing and torture of civilians has continued. The report also accuses the SPLA of "deliberate killings of prisoners such as government troops and mili-tia captured in combat". \*Sudan: Human Rights Violations in the Context of Civil

#### Australia's manufacturers in gloomy mood By Chris Sherwell in Sydney

relations is underway.

NOT ONE Australian manufacturer expects an improvement in general busis conditions in the next six months, according to the find-

ings of a regular quarterly survey published yesterday.

The findings indicate the industrial outlook is the gloomiest since the country slithered into a recession in 1982, and are a direct result of the Labor Government's high interest rate policy to suppress surging demand.

The survey was done by the Confederation of Australian Industry and the Westpac Bank, and according to Mr Ian Spicer, the confederation's chief executive, it shows that a wrong move now by the Gov-ernment "could push us over the cliff and into a recession." Almost three-quarters of respondents predicted a deteri-oration in the country's busi-

### New Cabinet setback for Palmer as support erodes

By Terry Hall in Wellington

the surprise announcement of the resignation of Mr Stan Rodger, the Minister of Labour and the second, a sharp slide in the opinion polls.

Mr Rodger is the fifth and most senior minister to say he will not seek nomination in the

general election due next October. His decision is being linked inevitably with the party's slide in popularity in opinion polls, although Mr Rodger was able to produce unusual evidence that he planned to go from February

last year. He then handed the editor of the Otago Dally Times a sealed envelope containing his resig-nation statement, with the instruction he would say when it was to be opened. Others who plan to quit are Mr Roger Douglas, the Minister

of Police, and former Finance

Minister, Mr Bob Tizard, the

NEW ZEALAND'S Labour Government suffered two set-backs yesterday. The first was the surprise announcement of Moyle, the Minister for Agriculture.

The retirement of five such senior ministers is putting increasing pressure on Mr Geoffrey Palmer, the Prime Minister, to restructure his Cahinet. He said yesterday that he would consider this early in

the new year.
Mr Rodger was a close supporter of Mr David Lange, the former Prime Minister. As Minister of Labour, he oversaw important industrial reforms, and was given the additional responsibility of selling state assets. He will be a big loss to

The latest National Business Review-Radio NZ poll says that if an election were held now, 46 per cent would vote National, 26 per cent Labour and 19 per cent did not know. Labour had scored 36 per cent in the previ-

#### Jordan to pursue path of reforms

JORDAN'S new Government, formed after the first general election in 22 years, has signalled plans to press ahead with democratic reforms in response to popular demand, Reuter reports from Amman. Mr Mudar Badran, the Prime Minister, has told parliament he is willing to lift martial law, in force since the 1967 Arab-Israeli war. He pledged to end restrictions on travel and employment, saying passports confiscated by security forces were being returned to their

owners.
"This is a fantastic step," said Ms Lella Sharaf, the only woman member of the royally-appointed senate. "We hope it's a new trend in all the Arab world. I know we will see more democratisation and I hope there will be no obstructions to this new orientation," she said.

Syria-Egypt air deal Syria, the last Arab country to hold out against improving ties with Egypt, has agreed to resume air traffic between Cairo and Damascus, Max Rodenbeck writes from Cairo. The move marked the latest success in Egypt's efforts to reforge links with Arab neighbours damaged by the signing of a peace treaty with Israel in 1979.

Of all the Arab states, only Libya and Syria have yet to reopen Cairo embassies.

#### Hostage swap

The kidnapped daughter of India's newly appointed Minister for Home Affairs was last night expected to be released soon in exchange for five terminates under an experient rorists under an agreement worked out between the Indian Government and the Kashmir Liberation Front, David Housego reports from New Delhi. An official spokesman said a "broad agreement" on the exchange of Dr Rubiya Sayeed, daughter of India's first Moslem Home Minister, had been reached with the front

#### Finance Secretary

Dr Bimal Jalan, former chief Indian government economic adviser and now an executive director of the IMF, was yesterday named Finance Secretary and thus senior civil servant in charge of economic policy.

# World Bank's \$10bn plan to stem Bangladesh flood danger

Annette Bingham and Reazuddin Ahmed report on an international effort to save the world's biggest river delta Smith, a Bank division chief, to and environmental problems neers, working with Banglade-

NE third of Bangladesh, more a river delta than a country, disappears under water every time there is a serious flood and that much of the country could be lost forever if global warming results in a one-metre rise in

The danger to this country of more than 100m people was dramatically highlighted dur-ing catastrophic floods in 1987

This week the country's aid donors and aid agencies are meeting in London to consider a phased effort to save Bangla-desh from floods in a programme which could cost a total of \$10bn or more over two

The conference, organised by the World Bank, is expected to approve an Action Plan which starts with an intense programme of pilot schemes and studies costing about \$150m. These entail detailed hydraulic investigations for three of the world's most powerful rivers - the Meghna, the Ganges and the Brahmaputra; and pilot schemes for controlled flooding which will allow traditional

flood plain agriculture to be intensified. Bangladesh is the biggest delta in the world, with 55 rivers, originating from India, passing through the

The flood problem has become acute over the past few years as silt builds up in rivers which carry millions of tons of alluvial soil from the Himala-yan region. Deforestation in India, Nepal and Bangiadesh has also increased the inten-city of the floods sity of the floods.

The studies, paid for mainly by grant aid, are expected to identify a pipeline of projects costing about \$500m, which could be implemented under the 1990-95 Five Year Plan. These would be followed by a phased flood protection programme, involving large-scale embankments on the main riv-ers, which could take 20 or more years to complete. The countries which would

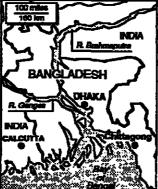
munity countries - seem

ready to accept that the World

Bank should co-ordinate the

programme. This means that

technical staff. be asked to finance the initial studies and works - Japan, the US and the European Com-



while individual countries would be able to "adopt" schemes which they consider to be of high priority, the pro-jects would have to be inte-grated into the overall plan and approved by World Bank technical staff

Technical experts from the various countries have already begun to co-operate on the programmes. For the past six months, a representative team has been meeting under the chairmanship of William

hammer out the plan to construct embankments along the main rivers. The programme would allow for plans to be altered as new technical evi-dence is weighed and national priorities change.

The decision on whether or not a comprehensive system of

embankments should be built will be influenced by the num-ber of serious floods in the next few years; and by projected assessments of likely rises in sea levels due to the greenhouse effect. Priority embankments would be the Brahmaputra left embankment and the Ganges right, on which work could start, if approved, as early as 1992.

Bangladesh would eventually have to decide whether to divert funds to flood projects from other sectors, such as industry or social services, as the amount of foreign aid is limited. If the embankments are built, money would also be needed for annual maintenance, which could cost \$150m or more.

As well as these financial

considerations, many social

and environmental problems would have to be faced. Steve Jones, the EC's adviser on the World Bank team, says about 180,000 people living on 20,000 hectares of the land which would be requisitioned, would be affected if large embankments go ahead. Some of these people would have to be taught new skills and found alternanew skills and found alternative employment.
The effect on fisheries is also

a subject for detailed studies. Bangladeshis obtain most of hanglatesing orders from fish which feed in the flood water; disruption of the fisheries would cause severe problems. Many of these considerations are discussed in the four flood study reports from which the

Action Plan has been distilled. The reports, commissioned following record floods in 1988, by the United Nations Develop-ment Programme (UNDP), France, Japan and the US, looked at what can be done within Bangladesh to limit the risk of living in the Ganges-Brahmaputra-Meghna flood plains. Their recommendations were far from unanimous. A French team of 30 engi-

shi experts, produced a com-prehensive feasibility study for 4,000 km of high embankments along the rivers to channel floodwater through the country to the Bay of Bengal. The study, undertaken following a visit to Bangladesh by Mrs Danielle Mitterrand, was well-received in Dhaka but shocked many experts with its \$10bn proposals which would take 20 or more years to implement.
Embankments on a slightly smaller scale featured in the UNDP report drawn up by an international team, led by Mr Jim Dempster, a British water

resources specialist. The team included senior engineers from the Bangladesh Water Develop-ment Board as well as foreign experts such as Mr Wibrand van Ellen, Professor of Hydrau-lics at Delft, in The Nether-lands, who initiated the idea of controlled flooding taken up in the Action Plan.

Japan, which is the biggest bilateral donor to Bangladesh, asked its own nationals to study the problem. They were far less enthusiastic about long, continuous river embank-

ments. The Japanese are already funding flood protec-tion works for Dhaka, the capital, and the report acknowledged the importance of protecting important cities. It warned, however, that embankments will require cantion and a most careful study. They will take a long time to build and will be costly both to construct and maintain.

Least encouraging of all for Bangladesh's embankment

lobby was a paper prepared for US AID by Harvard university which said: "The drawbacks of such an investment are extremely large. Embankments will cut the country off from many of the beneficial effects of the measure. of the monsoon - but they will pay back their massive invest-ments only in relatively rare years of high flood."

All the signs are that work under the Action Plan will start early in 1990, with the first two years being taken up by project preparation and designs, except for greater Dhaka, where work is already in progress. Construction work would be under way elsewhere by the end of 1992.

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# US to take top exporting slot from West Germany

By William Dullforce In Geneva

WORLD MERCHANDISE trade will grow by 7 per cent in vol-ume in 1989 and the US is set to regain from West Germany its ranking as the biggest exporting nation, Mr Arthur Dunkel, Gatt director-general, said yesterday in his annual

report.

Although the growth was slower than 1988's unexpectedly strong 8.5 per cent, it will still be the third best perfor-mance this decade. It also marks the fourth consecutive year in which trade has expanded at a significantly faster rate than world production. The Gatt economists expect output to increase by 3 per

The difference demonstrated how trade was a driving force behind the present prolonged expansion of the world economy, Mr Dunkel said.

Indications are that trade in capital goods, notably machinery and transport equipment, has been particularly strong for the second year running. Japan, West Germany, the UK and the US have all seen above average increases in capital goods on both the export and import sides.

A 15 per cent climb in the value of US exports in the first nine months – more than dou-



Arthur Dunkel, Gatt director

values of Japanese and Ger-man exports - appears to have regained for the US the top spot in the exporters' table that it coded to West Germany

However, the reduction in the US trade deficit has lost momentum this year. The 15 per cent increase in exports marked a sharp deceleration from the 29 per cent growth recorded in the first nine months of 1988, while import growth slowed down

only marginally, from 9 to 8

highlighted Asia's increasingly important role on the trade

Trade flows within Asia and between Asia and other regions continued to expand much faster than overall world trade in the first half of 1939, according to the available data. By nation and by value the fastest trade growths (exports plus imports) in the first half were recorded by Thailand and

Mexico, which has come to terms with its creditors and started on a complete marketoriented restructuring of its economy, achieved a 15 per cent increase in export earn-ings in the first half, due mainly to higher revenues from oil products and a continued good performance by its industrial processing zones.

The growth in Mexican imports, 52 per cent in 1988, continued to exceed that of exports by a substantial margin in the first six months of

Mexico is currently regarded as a model for Gatt principles, having drastically cut its import tariffs and reduced to 20 per cent of overall import subject to import licensing.

Louise Kehoe examines US demands for intervention in the microchip industry EUROPEAN government ministers used to visit Silicon influenced, more than ever

Valley in search of its secrets of success. How, they asked, could the entrepreneurial spirit that has created thousands of jobs , economic prosperity and technological superiority be

emulated in Europe.

Today, the boot is on the other foot. As the US semiconductor industry struggles to regain its international competitiveness, industry leaders are looking to Europe and Japan for a model upon which to base their efforts.
What these California industrialists have found, and what

they are urging the US govern-ment to imitate, are foreign governments which, recognising the long-term economic sig-nificance of strength in semiintervene to support and protect those industries. It is a sharp contrast with the "free trade" thinkers of the Bush Administration.

During the Reagan years the chip makers enjoyed a favoured status in Washington. As the suppliers of critical technology to the military their trade problems won a sympathetic hearing, and a

pro-active response.

A lot has changed since then. The Defence budget is no longer immune to cuts, in the light of progress in US Soviet relations. The White House is before, by economic advisers who have examined the thesis of a "strategic industry" and rejected it out of hand.

High-tech competitiveness has become a political football, to be kicked around between the Republican Administration and the Democratic led Con-

In the midst of this, the industry that was for so long touted as the prize example of American entrepreneurism is turning against the values that it has come to represent US semiconductor industry executives maintain that their current trade problems with Japan, and emerging problems in Europe , make government control of semiconductor trade

"Unfortunately, we are already headed in that direction," says Alfred Stein, chairman and chief executive of VLSI Technology, a Silicon Valley semiconductor manufacture for the stein of the semiconductor of the stein of the st facturer. Japan, he notes, has long been a "closed" market and is only moving slowly, under government control, toward open trade. In Europe,

the trend is toward protection-ism, the US chip makers fear. "We in the US have to find ways to counterbalance these trends," he suggests. In the past, the US approach has been to try to impose its free-market rules on its trading partners by seeking, for example, the elimi-nation of import tariffs ,the opening of the Japanese mar-ket and international recognition of intellectual property

Silicon Valley tires of the old American way

rights.
These measures have met with limited success. The opening of the Japanese semicon-ductor market, in particular, is moving far more slowly than US chip makers had hoped. The foreign share of the Japanese market now stands at 11.5 percent, far short of the 20 per-cent goal set in the 1986 US-Japan semiconductor trade pact.
We may not be able to con-

During the Reagan years the chip makers enjoyed a favoured status in Washing-ton. As the suppliers of critical technology to the military their trade problems won a sympathetic hearing, and a pro-active response.

tinue along the free trade route," says Mr. Stein, Instead, he foresees a "transition period" during which the major trading blocs should bal-ance trade under government controls.

Mr Stein is not alone in ques-tioning the credo of free trade. If have reached the conclusion that some form of what has come to be known as 'managed trade' is both inevitable and essential," says Mr W.J. Sanders III, chairman of Advanced

the future of US industry. Micro Devices, one of the leading US chip makers. In my

Even within the industry there are some who maintain recognition by all trading partners that domination of a vital
industry by any one nation is
unacceptable.....that no single
country can be allowed to
build its economy solely on
exports while excluding the
manufactured products of its
trading partners from its own
markets."

We must accept the reality that the government's role should be confined to "macro-economic" issues. It's time for a fresh look at how the Gova fresh look at how the Government can support our electronics industry," suggests Mr T.J. Rodgers, president of Cypress Smiconductor. "Government "help" often backfires and injures the very industries it attempts to assist," he argues. The US government should stand by and "bravely do nothing," he asserts.

Within the ranks of those who advocate "managed trade" who advocate "managed trace" there is little agreement on what form it should take. Some, for example, reject the idea of import quotas outright, while others look for some form of "reciprocal market share" arrangement between the major trading blocs.

Later this month industry leaders will meet to hammer out a consensus on public pol-icy issues including trade and

Increasingly, they see their biggest challenge in winning support from their own govern-ment, rather than in persuad-ing foreign governments to enable them to compete on mittee on Semiconductors to

help to diversity Portugal's industrial structure to face the challenge of the European inte-

challenge of the European inte-grated market after 1992.

The two deals received sub-stantial incentives from the Portuguese Government. The Valuet project is being helped with government subsidies rep-resenting 36 per cent of lis-total investment. The amount of subsidies for the GM plant has not been disclosed. Yesterday's anouncements

Yesterday's anouncements bring to three the number of major automotive investments

in Portugal this year. In June, the Ford motor group said it was investing \$120m to set up a

car audio equipment plant in Setubal.

• Fureign investment in Por-tugal more than doubled in the first nine months of this year

compared with the same period in 1968, the Trade Ministry said this week. At the end of Sep-

tember, total new foreign

Esc188.36bn compared to

investment

per cent. Mr Dunkel's report Matrically: Chou

There's nothing puzzling about the new Swift 24.

It's a 24 pin printer that delivers all your daily printing. And does it with minimum fuss.

That's because all its features are controlled from a simple LCD panel. No screwdrivers. No dip switches. The touch of a button is all it takes to set up the Swift 24 any way you want.

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### Portugal unveils \$85m in motor investments

By Patrick Blum in Lisbon

view managed trade involves a

recognition by all trading part-

We must accept the reality

that we are in a period of adjustment," says Mr Stein.

The three major trading blocs should reach an agreement upon trading rules and how to

enforce them, he suggests.

Mr Wilfred Corrigan, chair-

man of LSI Logic and chair-man of the Semiconductor

Industry Association, an influential trade group, takes the argument a step further. "If the US doesn't manage its semiconductor trade, then our trading partners are going to do it for the ""

do it for us." Persuading the Bush Admin-

istration to adopt a "managed trade" approach may, however, prove difficult. Through a

series of recent actions, includ-

ing the rejection of proposals by the National Advisory Com-

increase government spending on collaborative industry

research, the White House had made it clear that it means to

let "free market forces" dictate

THE Portuguese Government yesterday anounced agreement on two investments in the motor industry totalling \$55m. General Motors, the US auto-

motive group, will set up an Escon (SSSM) automotive elec-tronics plant on a green field site in Setubal, a major industrial development area just outside Lisbon. The deal was to be signed

yesterday between GM, Delco
- GM's car electronics subsid-iary - and the Portuguese Government. The GM plant will manufacture electronic ignitition systems, the bulk of which will be exported.

Initial estimates suggest that exports could be worth about Esc20bn a year. The facility is set to begin production by Autumn near year and employ expo. 500 workers. some 500 workers.

in a separate deal, the Val-met Corporation of Finland, is setting up a joint venture to manufacture tractors and tractor parts with IPE, a Portuguese state-owned holding nahv. The inv be over Esc4.2bn. The plant will also be based in Setubal to produce 5,000 tractors a year by the time it reaches full production capacity in 1994. Seventy per cent of production due to start early in 1991 will be

Mr Luis Fernando Mira Amaral, the Industry and Energy Minister, stressed the importance of the Valmet joint venture which he said would

#### last year. New investment from the European Community amounted to Esci40.8bn or 73 per cent of the total. Britain maintained its first place with Escision or 26 per cent of the total, followed by France with Esc35on (18 per cent), Spain Esc2lbn (12 per cent) and Brazil with Esc13.4bn (6 per cent). Direct manufacturing investment almost doubled to

#### Polish shipyard ioint venture hits problems

ONE of Poland's largest planned joint ventures has run into difficulties, Christopher Bobinski reports from Warsaw. Kvaerner, the Norwegian shipbuilding company which purchased the Govan shipyard in Scotland last year, and Poland's Paris commune yard in Gdynia, applied last month for permission to establish a joint venture in which each will hold a 50 per cent shape. will hold a 50 per cent share. They have now been told by the Polish Government that the capital stock to be put in by the Gdynia yard must undergo independent valuation, threatening a long delay. Valuation of capital assets looks set to be one of Poland's greater headaches as the Correlation. greater headaches as the Gov-ernment embarks next year on its ambitious privatisation

programme.

Ryaerner and the Gdynia yard agreed figures on the value of the latter's contribution over several months of negotiations.

#### Franco-German group in Soviet PWR link-up

Esc40bn for the period.

NUCLEAR Power Inter-national, the Franco-German nuclear joint venture, is examining working with the Soviet Union on developing new types of pressurised water reactors for future Soviet energy needs, David Marsh reports from

NPI, which pools PWR technology between Siemens of West Germany and the French company Framatome, said it had set up a joint working group with the Soviet Union to work out the details of co-operation\_

Siemens, through its reactor division Kraftwerk Union, has been in contact with Moscow for several years in a bid to forge a collaborative alliance in building and equipping Soviet nuclear plants, particu-larly in the safety field.

Siemena recently won a small order from the Soviet Union to fit monitoring systems to 30 Soviet PWRs to

#### Sales of cassette tapes withstand CD challenge

By Michael Skapinker

WORLDWIDE sales of long-playing vinyl records con-tinued to decline during 1989, but cassette tapes appeared to withstand the challenge of compact discs, according to the international Federation of the Phonographic Industry.

World sales of all sound recordings this year are expected to show their smallest rise in value terms since 1985, the federation said. Projected sales for 1989 are \$23hn, an increase of 13.3 per cent on the 1983 figure of \$20.3hn. Sales in 1988 had been 19.4 per cent up on

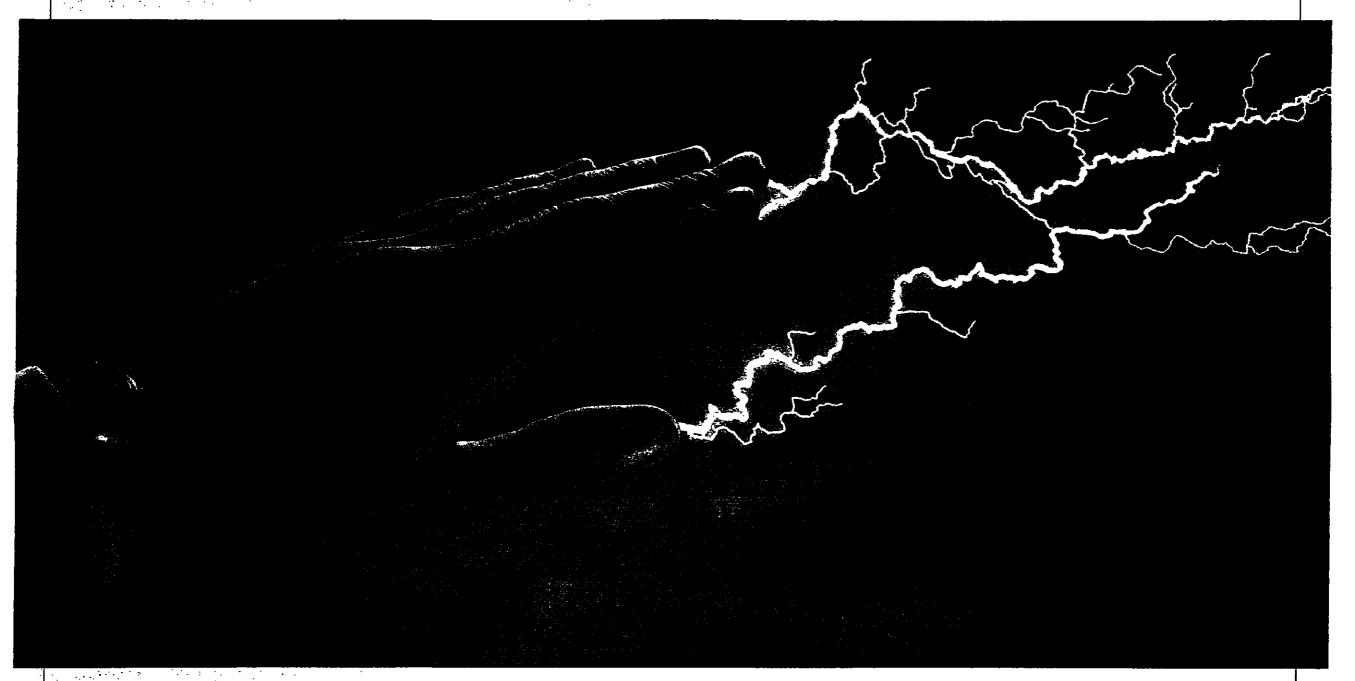
the previous year. The federation's projected

1989 figures show that unit sales of long-playing records were 460m worldwide. This is a 9.8 per cent fall on the previous

Unit sales of cassettes this year were a projected 1.6bn, a rise of 15.1 per cent on last year. This was a smaller rise than the previous year when cassette sales had increased by 20.9 per cent.

Worldwide 1989 sales of compact discs were a projected 550m, a 37.5 per cent increase on last year. Sales of compact discs in 1988 were 53.9 per cent up on the year before.

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# Kinnock heads off threat of damaging byelection

By Ralph Atkins

THE LABOUR Party opposition yesterday headed off a damaging byelection contest threatened by Mr Frank Field, the MP for Birkenhead, near Liverpool, who on Friday failed to be reselected as the party's candidate in the con-

Mr Field announced that he would not force a contest following a 90-minute meeting with Mr Neil Kinnock, Labour leader, at the House of Com-mons. He had warned that he might stand as an independent.

The Labour leader promised that evidence of infiltration by Militant, the extreme left-wing group, into the Birkenhead party or "impropriety in the conduct of the selection pro-cess" would be "fully investigated and appropriate action

In a joint statement, Mr Kinnock was also sympathetic to Mr Field's criticism of the 40 per cent of votes held by trade unions in reselection contests. A number of changes to party rules already under consideration are expected to be



Neil Kinnock

Mr Field's decision will come as a relief to the Labour leaderwhich is anxious to build on its lead in opinion polls and maintain its newly won, if frag-ile, image of internal harmony. However, the embarrass-ment could resurface if Mr Field is not satisfied by the party's internal inquiry, likely to be completed early next

year. Mr Field, chairman of the

House of Commons' Social Services select committee, is highly regarded as an "inde-pendent thinker" within the party. On Friday he lost the Birkenhead nomination to Mr Paul Davies, a Transport and General Workers Union offi-

He easily won the support of ordinary members in the con-stituency but was defeated heavily in the trade union sec-

The joint statement emphasised that "material relevant to the selection in Birkenhead was being examined by the party organisation as part of the normal checking procedure and the usual full report would

Mr Field said it would be to Labour's advantage if changes to selection procedures could be achieved rapidly. "Mr Kin-nock said that he shared the accomplishing change as quickly as possible within the provision made by the Labour Party constitution for making constitutional change," the statement added.

By Michael Smith, Labour Correspondent

ROLLS-ROYCE, the aerospace group, yesterday warned of "substantial" lay-offs at plants throughout Britain after manual workers at its Hillington, Glasgow, factory, unexpectedly voted against a deal to reduce working hours.

The company said lay-offs would take place from the end of next week unless the 2,000 manual workers at Hillington changed their mind and agreed this week to end their six-week

The warning came as union leaders decided to halve strike pay for workers spearheading the national campaign for a shorter working week. In future they will be given £60 a week from a national fund, rather than the £125 they have been receiving until now.

Mr Alex Ferry, general secre-tary of the Confederation of the Shipbuilding and Engineerspace had opted for a long

The unions say BAe has either laid off or put on short time nearly 700 workers at

nies whose workers have been striking, BAe has offered talks

week deal by Rolls-Royce's Hillington workers was motivated largely by dislike of proposals for a nine-day fortnight. Union acceptance, said after the vote that members wanted a 4%-day week, rather than one full extra day off every fortnight. Rolls-Royce said its offer was

ing the company's prospects. The company would not say which workers were most likely to be laid off as a result of Hillington workers continuing their strike. It is thought, however, that employees most vulnerable include those at Derby, where the company's largest factory is situated, and at East Kilbride, a repair and overhaul plant. Both sites are

strike pay is a high risk strategy as it raises the possibility that strikers will be tempted to drift back to work.

#### **Lord Elton** resigns following long dispute

By Eric Short

LORD ELTON is to resign as chairman of Flmbra, the tronbled self-regulatory organisation which represents independent financial advisers and smaller investment managers, after an acrimonious dispute with its members.

Lord Elton announced yes

terday his intention to retire as early as possible next year from the leadership the Financial Intermediarles, Managers and Brokers' Regulatory Asso-

He said yesterday he was making way for a leadership which would have "a closer understanding of what life in our sector of the market is

really like".

In a letter to Mr David Walker, chairman of the Securities and Investments Board, Lord Kiton stated his intention to give notice of his impending retirement to Fimbra's Council
immediately after tomorrow's
Annual General Meeting.

Lord Elton has spent much
of the past few months at odds

with the six trade associations which make up Fimbra. This dispute was ostensibly over compulsory professional indemnity for members, but reflected an underlying hostility to Fimbra's whole operation. It columnated in a resolu-tion being laid down for tomorrow's AGM to remove

Lord Elton as chairman. However, last Friday, it was announced that the dispute had been resolved with Fimbra making a number of concessions to the associations, including full consultation improved communications and review of Fimbra's

Lord Elton yesterday was adamant that his decision to retire had been taken several months ago. Nevertheless, Lord Elton in

his letter to Mr Walker admits that the events of the past few months have influenced his

He pointed out that on his appointment in 1987, he was told that it was important that the chairman should come from outside the financial services sector and therefore have no loyalties or prejudices towards any part of it.

# Latest salary rise makes Lord Hanson highest paid executive

LORD HANSON, head of the acquisitive British conglomerate, saw his salary rise by almost 24 per cent to £1.534m in 1988-89.

This compares with previous year's £1.239m, and £1.263m in 1986-87. According to the league table of boardroom remuneration compiled by the Charterhouse consultancy, the latest increase would appear to confirm Lord Hanson as Britain's most highly paid boss – although accounts from a number of companies with September year-ends are currently in the pipeline.

Yesterday, the company said the rise comprised a salary increase of around 10 per cent, coupled with a higher incentive bonus under the 1987 senior executive bonus plan. which is linked to earnings per share improvements.

In the year to end-September, Hanson's earnings per share, on a diluted basis, rose by 15.7 per cent. Pre-tax profits, with only a very modest contribution from Consolidated Gold Fields, which Hanson took over in Britain's higgest completed bid, worth £3.5bn,

THE larger annual reductions in rate bills announced yester-

day for beneficiaries of the uni-

form business rate in England

and Wales were welcomed because of a significant conces-

sion made by the Government

The limits previously pro-

posed on the annual rate

reductions of 10 per cent for large companies and 15 per cent for small companies failed

on the impact of inflation.



Hanson: 24% pay rise

rose from £880m to £1.06bn. In addition to his remuneration, Lord Hanson owns 8.55m shares in the company - a stake worth £19.6m at yesterday's closing price of 229 %p with options over a further 3.79m. The dividend, increased by 25 per cent last year, on the shares owned would add a further £726,750 (net of basic rate tax) to Lord Hanson's income. Lord Hanson's salary is not the highest ever recorded by a

**Business welcomes rate reduction** 

to take account of the rate of inflation, which would have

largely negated the benefit.

But the concessions announced yesterday by Mr
David Hunt, local government

minister at the Environment

Department lifting the limits to 10% per cent and 15% per cent

respectively, while appearing

after the announcement that

The department confirmed

to be small, are significant.

William Brown of Walsham Brothers, a Lloyds insurance broker, made over £2m in 1987. However, some of the more celebrated top paid directors have suffered salary reductions in recent years - most notably. Sir Ralph Halpern at Burton, the fashion retailer. His salary. it was disclosed last month, fell by £97,000 to £899,000 in 1968/9.

The total remuneration of with the number of employees dropping from 105,000 to 89,000 – following disposals of businesses – total employ-ment costs slipped from £1.17bn to £1.07bn.

The accounts also revealed that around 18 per cent of Hanson shares are now held in held in the US, up from around 16 per cent a year ago. Charitable donations topped £1.6m overall and £1m in the UK. overall and alm in the Ok. Since the year-end, \$1m has gone to the Red Cross Fund for Hurricane Hugo and the California earthquake. Contributions to the Conservative Party were unchanged at £30,000.

the benefits would be in real terms, meaning that if current

rate bills were used as a base, the inflation rate would be taken into account before the new UBR reduction limits were

taken into account.
For the second year, 1991-92, the limits will rise to 13 per

cent for big companies and 18 per cent for small ones - much greater than previously expec-ted.

director of a UK company; Mr

the Hanson directors rose from Som to Som last year. However,

> guages for the 190s, particu-larly for 1992 when worker-mo-bility in a Europe with a truly common market would come into existence "If we are to take advantage of these opportunities it will be vital to improve our fluency in modern languages.

Languages vital

**Operations** 

cancelled

due to flu

epidemic

Many hospitals in the UK cancelled routine operations yesterday because of the lack of staff caused by the influence

The Department of Health

said red alerts - under which

hospitals cancel all routine

operations and deal only with emorgencies — had been declared in about 20 health dis-

Mr John MacGregor, the Edu-

cation Secretary, said yester-day it was vitally important for

Britons to master more lan-

No talks at Ford UNION leaders at Ford, the motor manufacturer, are today

telling the company's manual workers that they want to negotiate on pay but that the company has closed the door company has cased the door on further talks.

The message is in a four page newspaper being distributed to the company's 32,000 manual workforce as the unions step

up their campaign to achieve a yes vote in industrial action ballots next week. **Guardian pull-out** 

THE GUARDIAN is expected

soon to pull out of talks about buying New Statesman and Society, the political weekly. In the year to March this year the magazine lost about year the magazine hose about 2500,000 on a turnover of 21.5m, a figure that includes some of the £417,000 losses arising from setting up its own distribution arm, NSD.

Road plans in doubt The Transport Department is thought to be preparing to abandon many major road building schemes recom-mended in a series of reports on London's transport prob-lems. The studies provoked strong public triticism over their potential impact.

# Rolls-Royce threatens to lay off workers at plants around Britain

ing Unions, said the reduction was necessary because it had become clear that British Aerodrawn out dispute.

Chadderton (Manchester), Dunsfold (Surrey), Filton (Bristol) and Brough (Yorkshire) as a result of strikes by manual workers at Chester, Preston and Kingston Upon Thames. Like the other two compa-

on 37-hour weeks. Unlike Rolls-Royce and Smiths Indus-tries, however, it has refused to negotiate until the strikes are called off.

The rejection of 37-hour

leaders, who had recommended final and it was not prepared to negotiate on it. It was the best deal available without damage

supplied by Hillington.
The unions' decision to halve

#### **Boost for BR Channel tunnel terminal**

By Kevin Brown, Transport Correspondent

By Richard Evans and Paul Cheeseright

BRITISH RAIL'S plans for a Channel tunnel terminal at London's Kings Cross station were given a substantial boost yesterday, on the eve of a crucial decision on the project by a Commons committee.

The committee will decide this morning whether to bow to demands from local authori-

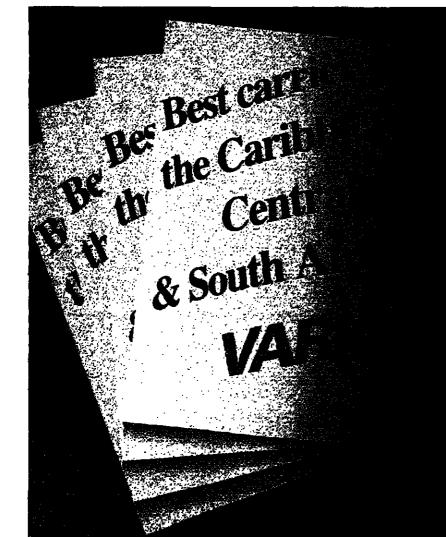
ties and residents' groups for debate on a BR Bill authorising construction work to be

delayed for a year.

Critics say the Bill should be postponed until November next year, when BR and two private sector partners hope to deposit a separate Bill seeking authorisation of the construc-

tion of a high speed line from London to the Channel tunnel. However, the North of England Regional Consortium, a group of northern local authorities, yesterday petitioned the committee to go ahead with the Kings Cross Bill fearing delays could block the scheme for years.

**Varig heads** the list once again. For the fourth year running.



Every year, the London magazine "Executive Travel" carries out a survey among its readers, people to whom international travel is an everyday occurrence.

In 1989, Varig was voted the best airline for flying from Europe to the Caribbean, Central and South America. The same thing happened in 1986, 1987 and 1988.

This reflects just how seriously Varig takes its business, which is commercial air transportation. And this is borne out by the excellence of its inflight service and the way in which Varig respects the prime object of its endeavors, the passengers themselves.

For the fourth year running, this survey recognizes Varig's very special position, thus strengthening our determination always to provide nothing but

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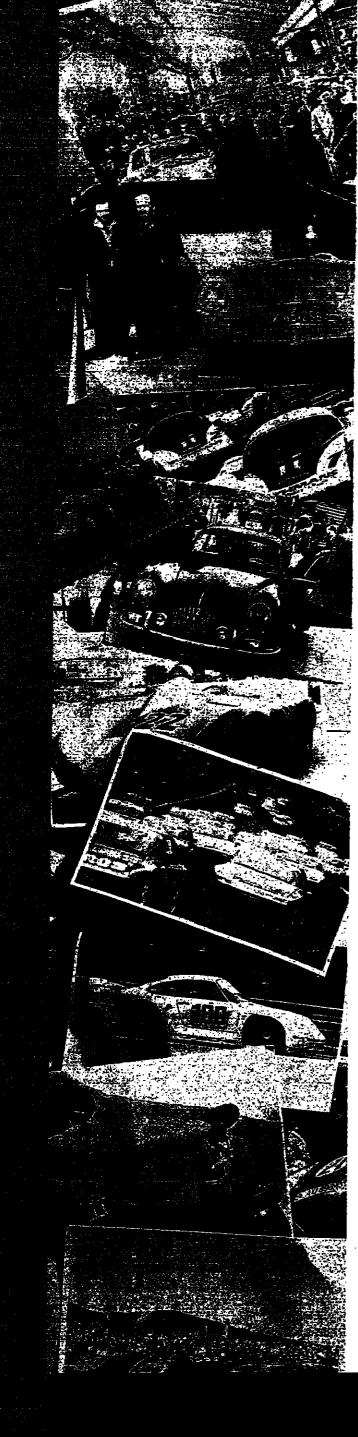
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# YES, IT IS LIKE FLYING. (YOU'RE EVEN WARNED WHEN THE AIR-PRESSURE DROPS.)

On the 7th August, 1987, a car sat idling on the Bonneville Salt Flats in Utah.

At 2 o'clock the driver put his foot down hard on the accelerator, took off across the deserted Flats and drove his way into motoring history.

As the speedometer registered 171 mph, the FIA Flying Mile class record changed hands.

And was it a souped-up, specially customized turbocharged racing car that rocketed into the record books?

No it wasn't.

It was a standard road-going Porsche 928 S4.

(The very same car your local Official Porsche Centre could be persuaded to avail you with upon receipt of a cheque for £57,267.)

Of course, to call any Porsche 'standard' is a masterly understatement, the more so when it concerns a 928 S4.

Beneath that long, elegant nose is one of the most powerful engines Porsche has ever inserted into a production car.

A massive five-litre, 32-valve, V8 capable of producing 320 brake horse power, a 0 to 60 time of 5.2 seconds\* and a top speed similar to the one that broke the FIA record.

But despite their pride at holding yet another coveted record, Porsche engineers would never accept that the 928 S4 is simply about raw power.

Indeed, since its introduction, when it was the first sports car to be named Car of the Year, they have spent many happy hours worrying away at every aspect of the car's design.

Rethinking, revisiting, refining, almost coaxing improvements from a car as only a Porsche engineer can.

To the point that although the 928 may look similar in body shape from year to year, the S4 is a radically different car from the first 928.

How? Well, take something as radically different as the Automatic Tyre Pressure Monitoring System.

Originally developed for endurance racing cars and the legendary 959, it's a typical piece of Porsche technology (i.e. you won't find it on any other make of car).

On the S4, two sensors 'read' each tyre

to evaluate the tyre temperature and, from that, the tyre pressure.

Should the pressure ever approach the minimum sefety level the driver is immediately and the driver is immediately as a sefety level.

minimum safety level, the driver is immediately alerted via the dashboard electronic information system.

But are Porsche engineers really as obsessed by safety as they are by absolute performance?

Absolutely.

Hence the presence of another innovation on the S4.

Cornering at speed in any car can be tricky. When the car is an S4 weighing 1.6 tons, the stresses on the car are considerable, to put it mildly.

Which is what prompted the 928's 'Weissach'

rear axle. Named after Porsche's Research and Design Centre, it's been specially developed to automatically counteract natural oversteer during high speed cornering.

Moreover, if one of the back wheels encounters different surface conditions to the other, Porsche's new electronically controlled transverse rear differential calculates, then distributes the exact amount of power each wheel needs to grip the road.

Of course, as you take the corner you will have the comfort of knowing that your braking system is about the most sophisticated on the road.

Ably assisted by the Porsche-developed ABS, fixed aluminium calipers with four hydraulic pistons bring the S4 from 62.5 mph to a halt in 3.3 seconds.

An orderly conclusion which will have been aided by the S4's power-assisted steering, a system which adjusts the amount

of power assistance you receive to how much the car actually needs.

Parking, therefore, is a job relegated to your right forefinger. While at motorway speeds, the steering stiffens to give you complete control.

And as you drive along in this remarkable testimony to modern technology, are there no concessions to that side of you which likes to be pampered a little?

Of course there are.

Your seat, the gear lever and steering wheel are all covered in flawless high-grade leather.

The seat also provides you with electrically-controlled lumbar support and is fully adjustable, the 3-position memory control ensuring you always drive in your favourite position.

To make sure your cool is extremely well-kept, the automatic climate control gives you air-conditioning, ventilation and heating at the touch of a button.

While the tempostat cruise control allows

While the tempostat cruise control allows you to maintain a given speed above 30 mph, helping you stay more relaxed and, hopefully, more alert on long journeys.

more alert on long journeys.

In fact, whatever length journey you make, there really is only one way to travel.

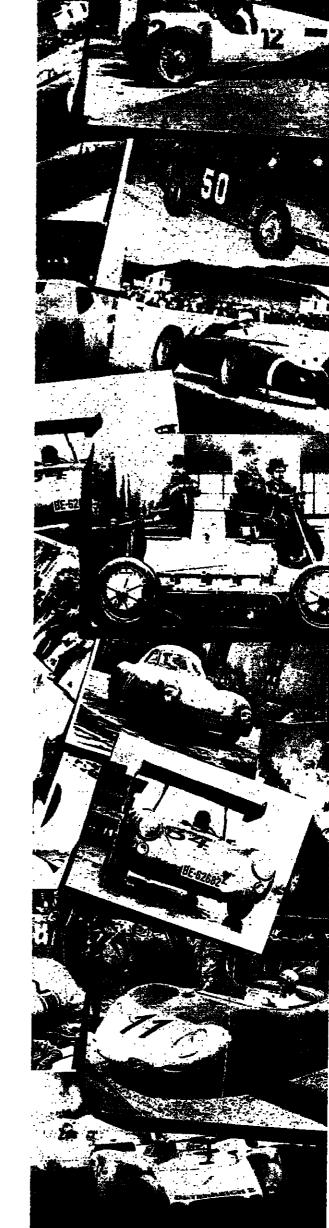
And it certainly isn't by plane.

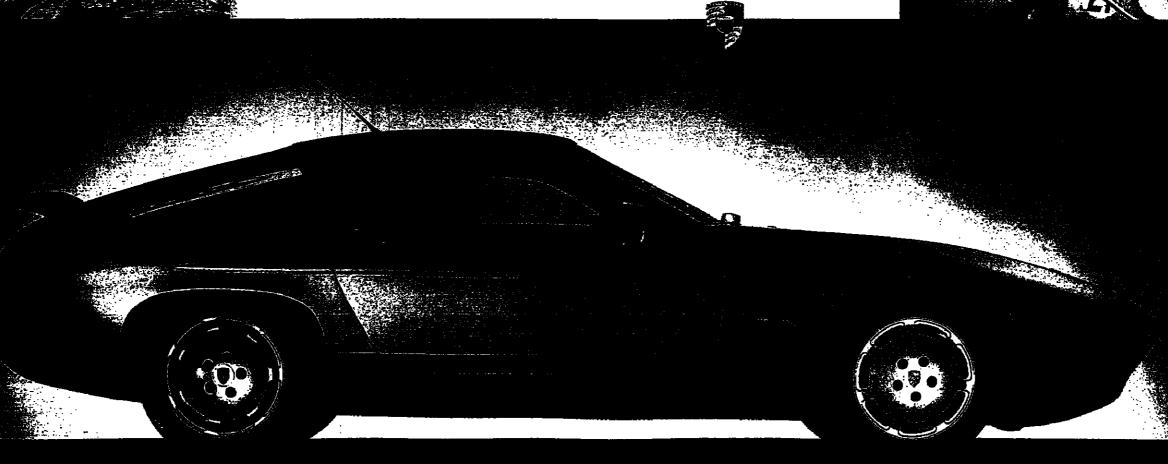
If you would like to see the car that broke the Flying Mile record, contact your local Official Porsche Centre listed in Yellow Pages.

For further information on the 928 S4, Diplomatic Sales or tax exempt personal exports, contact Customer Relations, Porsche Cars Great Britain Limited, Freepost, Reading RG1 1BR. Telephone 0734 323959. Fax: 0734 303713. Telex 846465. Porsche 928 S4 price at 1st September 1989, £57,267. Car Magazine\*

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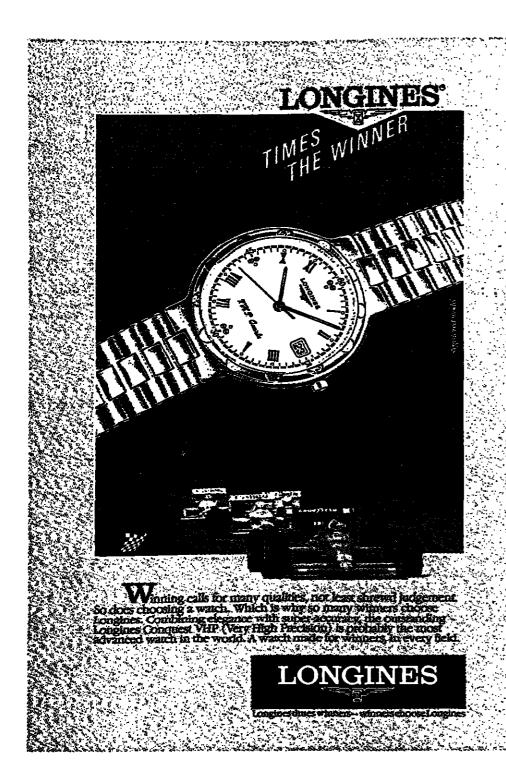


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# Retail sales fall Man

# as high interest rates hit demand

By Simon Holberton and Maggle Urry

EVIDENCE that the Government's policy of high interest rates is working to slow demand and to cool inflation came yesterday with a reported fall in retail sales volume and no sign of an acceleration in factory gate prices last

Taken together the two sets of data cheered UK financial markets which saw in them clear signs of subdued consumer spending and a reluctance by industry to raise its prices in the face of weak demand.

The Central Statistical Office said that manufacturers' factory gate prices rose 0.2 per cent in November to stand 4.9 per cent above the level of a year ago. Excluding food, drink and tobacco, prices rose 0.2 per cent in the month and were 5.5 per cent higher than a year ago — the same annual rate as in October.

In a separate release the CSO said that the volume of retail

the sales adjusted for seasonal gh variations were, provisionally to estimated to have fallen by 0.8 laper cent last month compared with October.

Mr Gavyn Davies, chief UK economist at Goldman Sachs, said: "I think the trend is clear: finally policy has bitten hard on the consumer."

In the September to November period sales were 0.25 per cent higher than in the preceding three months and 1 per cent up on the same period in 1988. Annual growth of 1 per cent was the lowest since June 1982, the CSO said.

The index of output prices (1985-100) was 120.9 in November compared with 120.6 in October. The index of input prices (1985-100), seasonally adjusted, was 105.6 last month compared with 105.2 in October.

The index of retail sales (1985=100) in November was 120.8 compared with 121.8 in October.

# Reopen pay talks, say ambulance unions

By Flona Thompson, Labour Staff

AMBULANCE trade union leaders yesterday called on employers to reopen talks to resolve the 14-week ambulance pay dispute before Christmas.

Mr Roger Poole, chief trade union negotiator, said ambulance workers across the country would not accept the Government's 9 per cent 18-month offer. And despite Mr Kenneth Clarke, Health Secretary, describing this as a final offer,

Mr Poole said "it can not be final if all of Britain's ambulance staff have rejected it."

He warned it was important to resolve the issue before Christmas because services would be stretched "beyond limits" over the holiday.

The Department of Health said Mr Poole appeared to be demanding a fresh offer as a precondition for talks and reiterated that its offer was final.

#### **UK NEWS**

# Manchester Airport closed by firemen's action on picket line

By Ian Hamilton Fazey, Northern Correspondent

MANCHESTER Airport was closed to passenger traffic yesterday when nine firemen refused to cross picket lines manned by about 80 of 550 striking baggage handlers. This reduced the firefighting force below the statutory Civil Aviation Authority minimum of 14 needed for passenger-carrying take-offs and landings.

About 300 domestic, Euro-

About 300 domestic, European and intercontinental flights and 20,000 passengers were affected. Services were diverted mainly to Liverpool and Leeds-Bradford airports, with airlines ferrying passengers by bus. Freight traffic and training flights carried on as normal.

Talks began late yesterday afternoon to try to resolve the dispute, with officials of the Advisory Conciliation and Arbitration Service (Acas)

standing by.

The TGWU general workers union, which represents the handlers, has refused to accept Acas mediation, although the officials have nevertheless been drawing up options that management has presented to the union.



Picket meeting: Euro MPs Joe Wilson, Terry Wynn, Barry Se and Lyndon Harrison meet strikers at Manchester Alaport

The dispute began on December 1 and is over new shift patterns aimed at matching peak cover with peak traffic and reducing overtime.

The new patterns have been worked for four months by 94

The new patterns have been worked for four months by 94 temporary handlers. Management insistence that they could transfer to the permanent staff only if they stuck to

the new rosters led to the strike. The TGWU says the handlers are willing to negotiate but will not tolerate new wasters being imposed.

resters being imposed.

Passengers affected by the industrial action included four Euro-MPs whose flight to Strasbourg was diverted to depart from Leads Bradford airport in Yorkshire.

# Personal communicators, the network for the future and how they work

THE personal communicator is designed to be a telephone small enough to be carried in a pocket. It would cost about £200 and calls would be little more expensive than ordinary telephone calls, writes Hugo Direct

Miniature size and relatively low cost will be the main features distinguishing personal communicators from the current generation of cellular phones. Their ability to make and receive calls from virually anywhere in the country will distinguish them from telepoint, the pocket-phone

system recently introduced in Britain which can only be used for outgoing calls and requires customers to find a radio station from which to make their calls.

As they develop, personal communications networks are also likely to incorporate:

• Personal numbers, which will be carried on computerised plastic cards called smart cards. People will be able to insert their smart cards into any phone they wish, automatically letting the network know where to find them.

• Call diversion and barring.
Users will be able to divert
calls to any extension in the
country with ones, and control
how the phones are used. Children, for example, may be
given personal phones but
only allowed to use them for
making local calls.

• Multiple rings. Each phone could incorporate several different ringing tones. One could let the user know that the call was personal, another that it was a routine business call and yet another that it was the chairman on the line.

# Mobile telecoms prove to be a roaring success

Hugo Dixon on the future of the cellular sector

HEN British Telecom was privatised five years ago, almost all the attention was given to the competition that would be provided by Mercury Communications, its only rival for fixed telephony. Hardly anybody gave much thought to mobile communications.

communications.

In the event, mobile communications have been a roaring success while Mercury has been something of a disappointment. Britain's two cellular operators - Vodafone, owned by Racal Telecom, and Cellnet, a BT subsidiary - now have almost 800,008 customers between them. The density of mobile phones in the UK is about five times as great as in

France and West Germany.
Yesterday's announcement
by the Government of three
new personal communications
licences is likely to make even
the stunning growth of celllular up to now seem rather prosaic. Analysts predict that
there could be as many as 10m
users of mobile phones - a category which includes both personal communications and cellular, by the west 2000

sonal communications and cellular-by the year 2000.

One of the new licences has gone to Mercury PCN, a consortium led by Mercury, which also includes Motorola of the US and Telefonica of Spain. The Government felt Mercury needed a mobile licence if it was to compete effectively against BT.

The other licences have been

awarded to: Unitel, a consortium comprising STC and Thorn EMI of the UK, US West and West Germany's Bundespost; and a consortium led by British Aerospace, which also includes Matra of France, Millicon of the UK, Pacific Telesis of the US and Sony of Japan. The reasoning behind the Government's personal communications initiative is that

The reasoning behind the Government's personal communications initiative is that competition will lead to an expansion of the market. The success of mobile in the UK by comparison with other European countries, which have only recently introduced competition, is pointed to as evidence that competition works.

Nevertheless, under the current duopoly between Vodafone and Celinet, call charges at 38p a minute are still about four times the cost of using an ordinary phone-meaning that mobile phones can usually only be afforded by business

The idea is that competition in the form of personal communications will drive call charges down so that they are only a small premium above those paid for using the fixed network. At the same time, advances in technology should allow personal phones to shrink to a size small enough to put in people's pockets.

These developments could

mean that personal phones can appeal to the mass consumer market. If people are able to use a mobile phone for only a little more than a fixed one, why would anybody want a fixed one?, the enthusiasts ask to the existing cellular networks. Vodafone and Cellnet

to the existing cellular networks. Vodafone and Cellnet will no longer be able to rely on sharing the mobile market roughly evenly between them. Even more important, if call charges fall as expected, the profit margins cellular operators have grown used to will come under pressure. Nevertheless, Vodafone and

Cellnet have a number of factors in their favour. First, they have several years' start on the new personal communications operators, whose networks are not due to be up and running until 1992. Second, they may be able to segment the mobile market - keeping the bulk of the lucrative business users, while allowing their personal communications rivals to compete vigorously for the residential customer.

Finally, the Government has said that the cellular operators will be able to turn their systems into personal communications networks if they wish. So they should, at least, not be at a disadvantage to the new entrants.

Personal communications

will also undoubtedly prove formidable competitors to Britain's embryonic telepoint systems. Telepoint, smother phone concept pioneered in the UK, suffers from the fact that it cannot receive calls and that, to make calls, people have to hunt around for a base station.

In the long run, the Government hopes personal comment hopes personal com-

In the long run, the Government hopes personal communications will compete with BT's ordinary fixed network the part of the old monopoly structure that it has so far had almost no success in cracking. The theory here is that people will be able to swap their ordinary phones for personal phones and that this will provoke BT to improve its service.

Such a threat will, in itself, create pressure for BT to be given more freedom in how it uses its network. The most significant change would be to allow it to deliver television pictures down its cables.

However, before personal communications networks can provide effective competition to existing mobile and fixed networks, much remains to be done.

First, the technology has to be developed. Personal communications will be based on technology which is similar to the next generation of cellular phones. However, there will be a number of differences, such as the frequency on which the phones operate, which will require extra engineering. Some observers think the launch of the new systems will therefore be delayed until 1993.

therefore be delayed until 1993.
Second, the winning consortia will each have to invest nearly filbn in building their infrastructures.

Finally, if personal communications are to benefit from economies of scale it will be important for Britain to convince other European countries that they should adopt the same system. The involvement of Bundespost and Telefonica in winning consortia increases the chances of doing this, but many countries are still apportion.

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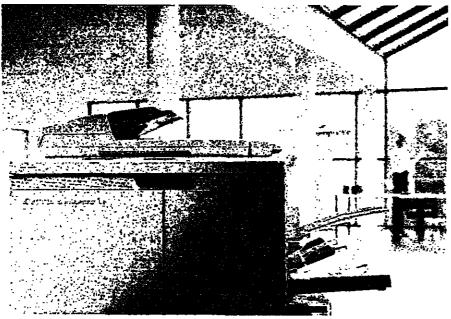
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#### **UK NEWS**

# Avon police press on with |Shell UK computerisation of offices

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POLICE in Avon and Somerset are pressing ahead with an advanced office automation system, raising concern about a profusion of incompatible systems among the 43 police authorities in England and

Wales.
The Home Office lacks powers to set computing standards for individual police forces, but there is irritation and impa-tience among forces that it has not done more to provide national guidelines. Avon and Somerset Constab-

ulary is expected to announce that it has awarded the contract for "Project 7" – which will eventually involve a new mainframe computer and some 500 desktop workstations - to International Computers, the computer manufacturing sub-sidiary of STC.

Software will be provided by the Sema Group, a Franco-Brit-ish computing services com-

It is understood that the US companies International Busi-ness Machines, the manufac-turer of commercial and personal computers, McDonnell Douglas, the aircraft, defence and technology company, and Unisys were interested in the

The price is understood to be



Project 7 will be the UK's most advanced police computer

It will attempt to integrate a range of functions such as access to criminal records and the Police National Computer, now handled by separate com-

puter systems.
All inquiries made through the system will be handled in the same way, whichever records have to be examined. Software will use object-ori-ented programming, a way of that is barely out of the labora-

It would make sense for all police forces to adopt standard procedures for office automation, but a diversity of incompatible systems seems inevita-ble unless other police authorities agree to follow

Mr Gordon Wasserman, the Home Office official with spe-cial responsibility for police technology, agreed that there was little logic in each authority's pioneering its own system, but said each police force had considerable autonomy in capital expenditure. He believed the best

approach to police computerisation was through centrally provided computer services such as the Police National

egislation that comes into force in April will give the Home Office, and Mr David Waddington, the Home Secretary, considerably more power over police capital expenditure.

It is feared incompatible systems ordered by differing police authorities could lead to delays and technical problems in the exchange of information as different constabluaries co-ordinate the fight against increasingly sophisticated

### plans £60m pipeline on east coast

THE OIL industry yesterday announced its second plan in a fortnight for an East Coast pipeline to boost a private power station in Eastern England fuelled by natural gas from the North Sea.

Shell UK said it was opening talks with landowners about the route of a £50m pipeline to supply natural gas to a power station planned at Shell Haven, Essex, by Shell Exploration and Production and Process to North Sea nature.

esso, its North Sea partner.
This follows the creation of a gas pipeline company by Conoco, the US oil company, and PowerGen, the smaller of the two companies due to emerge from the privatised Central Electricity Generating

Board.
The company would start by building a £15m. — £20m pipeline to move gas from Conoco's Theddlethorpe taminal to PowerGen's power station planned at Killingholme, South Humberside.

A third East coast gas-fired power station also moved a

stage forward yesterday when local planning consent was granted to the Canadian-owned Ranger Oil for a 350 MegaWatt plant at South Denes, Great Yarmouth.

# Barlow Clowes report may limit pay-outs

THE FIRST draft of the parliamentary ombudsman's report on the Barlow Clowes affair is believed to recommend that the Government should pay compensation only to some of those who have lost money.

The investment group, which crashed 18 months ago, left 18,000 people with total losses likely to top £100m.

The report, which examines the Department of Trade and Industry's decision to suther Industry's decision to authorise Barlow Clowes, will be published before Christmas, per-

haps this week.

The ombudsman does not have the power to force the Government to pay compensa-tion, but it is thought unlikely for it will ignore his recom-

nendations. same draft that was sent to the Payment could be eased by DTI, without significant

the departure from the DTI of Lord Young, who last year claimed that his department's own independent investigation into the affair showed it could not be held responsible. The report by the Parliamen-

tary Commissioner for Admin-istration, or ombudsman, Sir Anthony Barrowclough, has been in preparation for over a year and is said to be the most complex investigation the ombudsman's office has yet

Publication of the report has been held up by the DTI, which spent at least three weeks looking at a draft before sending back its comments last Friday. It is thought likely that Sir Anthony will publish the

The DTI is only allowed to comment on the facts contained in the report, not the ombudsman's comments on se, although it given sight of the full report. It is under-

stood that the government has pointed to no major factual The department intends to publish its response to the ombudsman's report on the same day as the ombudsman, and it says that this will com-

prise the main responses it has already made to Sir Anthony. The two most important questions to be answered by the ombudsman's report are whether the DTI had a respon-sibility for supervising the unauthorised, offshore arm of the investment group, Barlow

Clowes International, where most of the losses were made and if so, how far back the responsibility should extend. It is extremely unlikely that it will be held to extend back far, given what is already known about the affair from

the DTT's internal report.
The key moment appears to have been early in March 1985. when the DTTs solicitor issued a stern warning. Commenting on warnings received by the department, he said that there was a "serious danger that if the matter is allowed to drag on, the department will be held to be negligent if it turns out something is wrong, particularly in relation to new busi-ness taken on since we became aware of the possible difficul-

# Solicitors seek amendment to legal reforms

By Robert Rice, Legal Correspondent

THE Law Society is to press for amendment of the Government's proposals for granting solicitors wider rights of audience in the higher courts when the Courts and Legal Services Bill has its second reading in

the House of Lords next week. In a briefing to peers, the society reiterates its support for increased rights for solicitors to represent clients in higher courts, but says the model proposed by the Scottish White Paper on Legal Services is more satisfactory than that for England and Wales.

The Government proposes that in England and Wales the Law Society and the Bar will set educational and training standards for members wishing to act as advocates in court. the agreement of the Lord Chancellor and the four senior

judges. This has raised fears among solicitors that it may give the four senior judges an

effective power of veto over rules governing extended rights of audience.

For Scotland, the Govern-ment proposes that all properly qualified solicitors should be able to plead in the higher courts. Any professional courts. Any professional requirement inhibiting a solici-tor's freedom to prepare and present a case would require the approval of both the Secretary of State and the Lord President, with advice from the Director of Fair Trading.

The society says this model is preferable because "it avoids giving judges even a notional veto over extensions in rights of audience, thus helping to keep them clear of any disputes between the two branches of the profession."

# **UK** energy savings could by up to 60%

By John Hunt, Environment Correspondent

SAVINGS on energy use in the UK could be as high as 60 per cent if the Government gave higher priority to energy effi-ciency measures a group of peers and MPs will be told at

Westminster tonight.
The figures are taken from a report drawn up by the UK sec-tion of the International Panel on Climate Change (IPCC) which will report to the Government next summer on the scientific aspects of global warming — the greenhouse

effect.
The Association for the Conservation of Energy (Ace), which will present the figures to tonight's meeting, says that investment in energy efficiency measures in the UK is now fall-

The Government has estimated that improved efficiency could cut energy consumption by 20 per cent and result in a saving of just under £8bn on Britain's energy usage of 239bn

a year. This assumes that consumuse existing fuel saving meth-

ods and that such investments

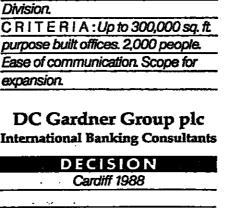
would pay for themselves over a two year period. But the IPCC proposes another scenario which allows a five year pay-back period and

efficiency is the single most

contain measures on energy saving. It says that investment is dropping for cavity wall insulation, draught-proofing, double glazing and domestic

to triple the budget of its Energy Efficiency Office which

business, promote your name and your products and ser-vices, while at the same time giving something back to the community, must be worth



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makes allowances for advances in energy saving technology. On this basis the cumulative saving rises to 60 per cent. Mrs Thatcher, the Prime Minister, has said that energy

cost-effective way of combat-ting the problems caused by carbon dioxide, which is the main greenhouse gas contri-buting to global warming. But Ace complains the Envi-ronment Protection Bill, to be

heating and ventilation control Ace calls on the Government

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**Preview** 

#### FT LAW REPORTS

# Receivers convey good title

PHOENIX PROPERTIES LTD AND ANOTHER V WIMPOLE STREET NOMINEES LTD Chancery Division: Mr Justice Mummery: December 1 1989

A RECEIVER appointed by debenture holders by writing. not by deed, can convey good title to charged debenture property if acting in his capacty as attorney appointed under the debenture deed with power to sell land on the company's behalf.

Mr Justice Mummery so held when giving judgment for the plaintiffs, Phoenix Properties Ltd and Picadilly Properties Ltd, on their claim for a declaration that they had acquired good title to a property to be conveyed by them to the defen-Wimpole Street Nomi-

HIS LORDSHIP said that on February 10 1983, Bentall Sim-plex Ltd granted Barclays Bank a debenture containing a fixed charge on property in

On September 5 1984 the bank appointed receivers and managers of the property. The appointment was made by writing, not under seal.

On January 30 1985 the receivers, acting as attorneys of and in the name of Bentall, conveyed the property to Sur-reygate Ltd. A deed of release was executed by the bank on the same day, surrendering the property to Bentall free from

legal charge. Bentall was ordered to be compulsorily wound up on April 29 1985. It had not yet

On September 4 1989 contracts were exchanged between Phoenix and Picadilly as vendors, and Wimpole as buyers, for the sale of parts of the property at a total price of There was a doubt as to

whether the vendors' predecessors, Surreygate, had acquired good legal title to the property by the 1985 conveyance. Special condition K was inserted in the contract for sale, providing the vendors should procure a "confirma-

tory" conveyance by or on

behalf of Bentall, not later

than January 1990. Completion was fixed for December 4 1989. The vendors failed to comply with special condition K. Instead they issued the present summons seeking declarations that they had shown good title to the property, notwithstanding the absence of a confirmatory conveyance; and that the 1985 conveyance had vested the legal estate in Surreygate.

The buyers' main objection to the vendors' title was the absence of a deed appointing the receivers. The point of law was

whether a receiver appointed by debenture holders by writing and not under seal, had power to bind a mortgagor to a conveyance of charged debenture property.

Differing views were expressed in leading works on receivers. Kerr on Receivers (17th ed) pages 338 and 339 and Halsbury's Laws (4th ed) vol 39 para 804 stated that a receiver need not be appointed under seal to give good legal title. Lightman & Mass on the Law of Receivers of Companies, page 49 said a receiver, if he was to execute any deed as agent for

the mortgagor company, should be appointed by deed. The buyers argued (1) that at the relevant time (January 30 1985) there was a well-established "leading" principle of Common Law that "an agent to deliver a deed must be an agent appointed under seal" (see Powell v London & Provincial Bank [1893] 2 Ch 555, 563); (2) that logic and policy required the rule should also apply where the agent was empowered to appoint a third person to act as sub-agent to deliver a deed - here the receivers were Bentall's sub-

agents appointed by the bank under the debenture; (3) that the intended abolition of that Common Law rule by section 1(1)(c) of the Law of Property (Miscellaneous Provisions) Act 1989 (not yet in force) would not affect the case; (4) that the Common Law rule was not sat-

isfled because the receivers were not appointed under seal There had in fact been full compliance with the Common

Clause 7 of the debenture deed conferred on the bank a power to appoint a receiver by writing. He was to be the com-pany's agent entitled to exercise all powers conferred by the 1925 Act in the same way as if he had been duly appointed thereunder. Clause 7(c)(iii) conferred a power "to sell . . . any of the property hereby charged."

By clause 8 of the debenture deed the company "irrevocably appoints appoints . . . the receiver appointed under the foregoing

provisions . . to be its attor-ney . . to sign seal and deliver . . sny deed . . in connection with any salc , . . of the said proper-

That power satisfied the requirements of the Powers of Attorney Act 1971.

The effect of those provisions was that the bank was authorised to appoint by writing "any" person to be a receiver. That power was duly exercised on September 5 1984. The receivers were, by the terms of the debenture, irrevo-cably appointed to be attorneys for Bentall and to act for it in connection with sale of the

properties. A distinction was drawn in the documentation between appointment of a receiver as such, and irrevocable appointment of "the receiver" as attorney for the company.

The former could be made by

writing by the bank. The latter was made by the terms of clause 8 of the debenture deed. The appointment of the receiver as attorney could not take effect unless and until the

bank had exercised its power to appoint a receiver by writing, but once a receiver had been appointed clause 8 con-ferred on him a power of attor-It was not necessary for the

purposes of that appointment for the receiver actually to be named in the debenture deed. The power of attorney was valthe office of receiver.

As the irrevocable appointment of the receiver as attorney was contained in a deed executed by the company, it satisfied the Common Law rule requiring appointment under

It followed that Bentall, acting through the receivers duly appointed as attorneys by the debenture deed, made a good legal title to the property in favour of Surreygate by the 1985 conveyance.

Mr Driscoll for the vendors argued that the 1925 Act empowered receivers appointed in writing under hand to exer-cise a "statutory power" to convey property subject to the charge in the debenture. Sec-tion 109(1) entitled the bank to appoint a receiver by writing under hand. Section 101(3) pro-vided that "The provisions . . . relating to the foregoing powers . . . may be varied or extended by the mortgage deed

ate . as if such variations or extensions were contained

in this Act."
The difficulty with Mr Driscoll's argument was in seeing how the power of sale con-ferred on the receiver was a variation or extension of the powers comprised in section 101. Section 101(3) presupposed the existence of a power which There was bowever, no statutory provision empowering a receiver to sell mortgaged property or to delegate his power of sale to a recriver. The power of sale conferred on the receiver by the debenture deed was not a statutory provision varied or extended by the

mortgage deed."

The effect of the debenture was to create a power for the receiver where no such power existed under the statute. rather than to vary or extend

an existing power. Such power did not there-

fore, operate as if it were contained in the Act.

The buyer's second objection to the vendors' title was that receivers had no power to bind Bentall to the 1985 conveyance because, by virtue of the deed of release executed the same day, the power of those receivers to bind the company had been determined. That argument presuppos

that the deed of release was in fact executed before the conveyance was executed.

It was a question of fact. The evidence did not estab-lish that the deed of release was executed before the conveyance. In the absence of evidence the court was entitled to apply the presumption referred to in *Gartside (1882) 21 Ch 762,* 767, 768 - "that the deeds were executed in such order as to give effect to the manifest

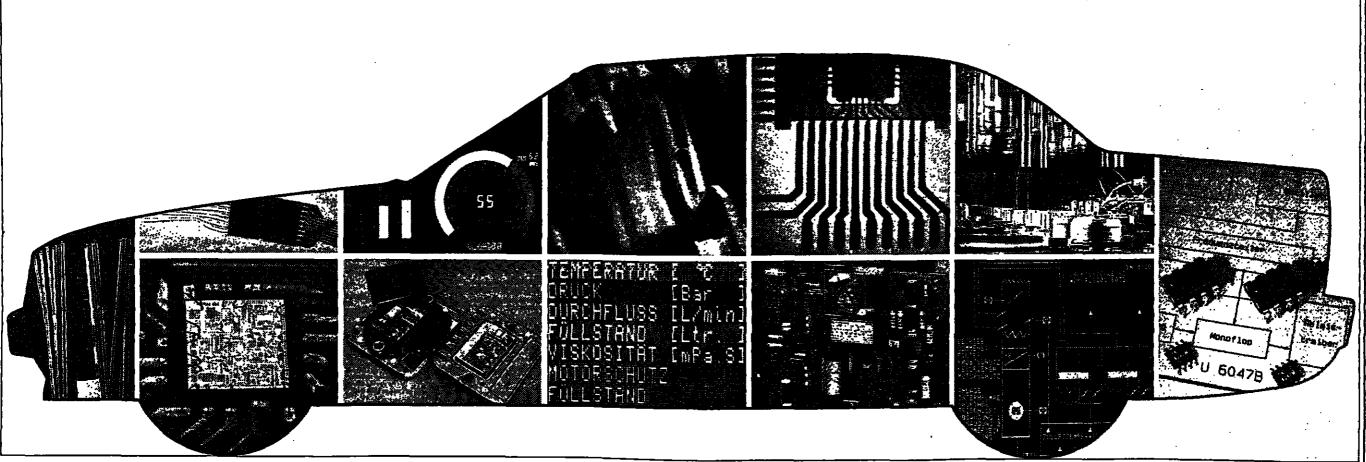
ntention of the parties."
It was clear from the deeds that the parties intended to give effect to an agreement between Surreygate for the sale of the property free from

encumbrances.

If the deed of release had been executed before the conveyance, the effect would have been to determine the receivers' power of sale as attorneys under the debenture. For the vendors: Michael Driscoll (Graham Consitt & Co). For the buyers: David Iwi

(Saunders Bearman Anselm). Rachel Davies

# **Dur achieveme** are reflected in today's cars



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#### **MANAGEMENT:** The Growing Business

Incorporation

# The kudos of being a plc

Hester Thomas examines attitudes of unlisted companies to a change of status

hen John Rushton formed his London-based graphic design consultancy in 1977 he chose a company name, so unusual, that once heard he hoped it would never be forgotten: The Small Back Room (origi-

mally the title of a 1940s book).

By 1988 the company employed 26 people and had grown to be one of the largest in the field of graphic design. Clients included many blue chip companies and Rushton was keen to pursue more. But "by now the name had a little bit of a jar to it." says Rushton. "It expected form to it," says Rushton. "It suggested four people working in one small room." In short, he felt it projected the wrong image and might cause the company to be overlooked by the very clients he wished to

He discussed the problem with his accountants, Lee Associates. They suggested The Small Back Room should suggester the Small Back Room should become an unlisted public limited company (pic) — thus giving the company the status Rushton felt it so obviously lacked. Rushton, who mistakenly thought all pic companies had to be listed on either the USM or Stock Market, liked the idea and in November 1988 the company became in November 1988 the company became The Small Back Room pic.

Before 1980 most companies had "limited" status - an all-embracing title which gave little away about their financial posi-tion. With the 1980 Companies Act all pub-licly quoted limited companies became plcs. Private limited companies retained thair limited status. The result was that plc status became associated with companies of a certain size and stature. The directors of many limited companies felt their status was truly limiting, it suggested that in comparison with plc, the company was small and of less conse-

quence.
The Companies Act, however, does not differentiate between plc companies which have floated and those which have not. So a limited company can become a plc and enjoy the stature and kudos previously associated with listed companies. Furthermore, since the company can have as few as two shareholders, the business can be kent for the foreits. The See Can be beaut. kept "in the family." The Small Back Room's shares, for example, are owned by Rushton and his wife.

Although a company may be incorporated as a pic from its formation, many directors of ordinary private limited companies choose to change the company sta-tus once it has been running for several years and is well established. Their reasons for doing so range from a desire for the company to give the "right impres-sion" to the world at large; a need to raise external funding (for business growth); or as the first move to launching on the USM

or Stock Market.
Raincoat manufacturer Four Seasons Styles, was formed in 1970 as a limited company and now has 60 employees and a turnover in 1968-89 of £2.4m. It became a



"YOU DON'T LOOK LIKE A PLC "

pic in August 1988. It was moving to better premises in central London, producing higher quality garments and wished to develop in-store concessions. "We thought that in negotiations with buyers and management, plc status would make us sound truly established," says David Lewis, joint

managing director.

Harlow Sheet Metal was also founded in 1970. Manufacturers of sheet metal components primarily for the electronics and telecommunications industries, it employs 100 people and had a turnover in 1989 of 100 people and had a turnover in 1989 of 24m. In 1986 the company's accountants, Casson Beckman, asked the directors whether they wished to launch on the Stock Market and suggested that plc status would be a good first step down that road. "It would add credibility and create a greater awareness of the company in the public's eye," says Peter Catto, partner at Casson Beckman. It became a plc in November 1987.

Projectlink was formed in 1984 to

Projectlink was formed in 1984 to Projectlink was formed in 1984 to develop marketing strategies in conjunction with client companies such as TSB and Shell, it has 35 employees and a turnover in 1988 of \$4.5m. When Richard Kirk, its managing director, was working on the company's five year plan to expand and develop other companies around the core business, his accountants Berkeley Hamilton snovested pic status as part of that ton suggested plc status as part of that strategy; in June 1989 the company

pecame a pic.

Kirk believes it will help raise the company's presence, project the financial strengths of the business to suppliers and customers, attract the right calibre of staff as well as provide the company with the ability to raise money from the public.

The main requirements for a company wishing to register as a pic are that the nominal value of its allotted share capital must be a minimum of £50,000 of which no less than 25 per cent or £12,500 must be paid up. The company must not have a realised deficit on its reserves. An application must be lodged at the Registrar of Companies together with audited financial

statements and various other statutory

documents, showing compliance with the

Companies Act.

According to Gerry Hopkinson, principal at chartered accomiants KPMG Peat Marwick McLintock, plc status can be achieved in as little as three weeks, though usually it takes a little longer, especially when a lengthy audit is needed.

The major element of cost in re-registering a "limited" to a "plc" is for the audit. A sum of £1,000 to £5,000 is not uncommon. This covers the accountant's audit of mon. This covers the accountant's audit of the balance sheet and associated re-registration costs, including the fee of £50. The cost of designing and printing new letter-heads and other items is on top.

heads and other items is on top.

All the directors interviewed considered plc status brought advantages. Four Seasons Style secured concessions with John Lewis and Selfridges. David Lewis claims plc status was "one of the factors" accounting for the company's growth.

Rushton, though unable to relate directly a new client gain to his company's newly acquired plc status, nevertheless believes it has brought in business and is

believes it has brought in business and is partly responsible for a turnover in 1989 of \$2m - double that of 1987. Kevin Sim-monds, financial manager at Harlow Sheet Metal admits "it is hard to quantify how much we've got out of it," though he believes it has oiled the wheels in dealings

believes it has ciled the wheels in dealings with customers and suppliers.

Neither Projectlink nor The Small Back Room could see any disadvantages in being a plc. However, Simmonds reports that Harlow Sheet Metal received "a lot of interest from predators wanting to buy there "These room predators to buy here." shares." There were no shares to buy but it gave the company a taste of things to come should it ever launch on the USM.

There are other points which could be regarded as disadvantages. Some directors may not wish, or be able, to raise £12,500 as share capital. When raising money from the public (which none of these companies has yet done) they will be subject to the Companies Act and the Financial Services Act governing the issue of prospectuses. There are also greater disclosure requirements. ments. For example, full (as opposed to abridged) accounts must be filed — so providing competitors and predators with more information on the company.

None of the people interviewed felt that

by becoming a pic they were in any way presenting a false picture of the company to the world. Although the concept of an unlisted plc was new to many customers and suppliers they remained "happier dealing with a plc," says Simmonds. "It's improved our image and they view us with

With the exception of Harlow Sheet Metal, all the companies dismiss the USM or the Stock Market as future options. They have achieved all they want status and respect without relinquishing control.

#### In brief...

■ The Government's 13 Small Firms' Service offices handled 281,000 enquiries in 1988/89, an increase of 6 per cent on the year before. Its 336 counsellors (329 the year before) held 43,000 counselling sessions, an increase of 12 per cent, for 30,000 companies (a rise of 10 per cent).

Fifty-seven per cent of cli-ents helped were involved in starting up in business; 30 per cent were from firms with one to two employees; while 9 per cent employed between three and ten people. The service, currently run by the Department of Employment but soon to become part of the Training and Enterprise Councils network, cost £6.9m compared with £6.2m the year before.

Venture capitalists have tended to concentrate their activities in the south-east of England and neglect the other regions although competition is prompting a number of new funds to set up outside the south-east. A one-day confer-ence in London on January 17 entitled The Regionalism of Venture Capital will look at the latest developments.
Contact Business Research

International, 57/61 Mortimer Street, London W1N 7TD. Tel 01-637 4383.

■ A total of £48,000 in prize money is available to be won by enterprising entrepreneurs who have set up in business using the Enterprise Allow-

ance Scheme.

The Enterprise Allowance Scheme – NatWest Awards are open to anyone receiving the allowance between November 1992 her 1 1989 and February 28 1990. There will be ten regional heats with prizes totalling £3,500 and £5,000 for the overall winner. Application forms are available from NatWest branches and Small Firms Service offices. Closing date for entries is February 28.

A training programme designed to help managers of young companies handle rapid growth will be run by Greater London Enterprise from Feb-rnary. The Accelerated Growth Programme consists of six teaching sessions on Fri-day afternoon and all day Saturday covering subjects such as strategy, marketing, sales, delegating management and using computers.

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# Recruitment: a big worry

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ow to recruit key staff is the main concern of growing businesses. Finding managers in the 20,000 plus bracket is a far more pressing problem than high interest rates or raising finance, according to a study by Colin Barrow of Cranfield School of Management

Even when the company has found the manager it seeks, in the majority of cases the appointment is not successful. Sixty per cent of the 200 businesses polled reported a failed appointment in the past two years. In nearly two-thirds of the cases of failure the person stayed in the post for less than a year. The firms polled were on average 10 years old, employed 25 people and had turnover of £2m.

The study showed that 83 per cent of firms rated recruiting key stair as their first or second most pressing priority. Finding customers came sec-ond and was the main concern of 59 per cent of respondents while raising new finance was listed by 31 per cent and high interest rates by 27 per cent. Dealing with red tape was

mentioned by 21 per cent.

Nearly 70 per cent of businesses polled said they employed people earning \$20,000 a year or more, including 15 per cent which employed six or more people in this category. Nearly 95 per cent planned to recruit one or more new key employees next year; this figure included 50 per cent which said they would need more than three new staff

Personal contact was the most popular method of recruitment with 49 per cent of firms using this method. A further 38 per cent used direct press advertising while 20 per cent promoted people inter-nally. Only 11 per cent turned to the files of recruitment agencies while 10 per cent placed press advertisements through an agency. A further 9.5 per cent used an executive

search consultant. Growing businesses were modest in their spending on recruitment; more than 80 per their latest £20,000 plus employee. But these sums related to external expenditure

account executive time taken in the search. One proprietor spent five weekends and a score of evenings chasing up contacts to find sales staff. Seventy four per cent of pro-prietors felt they were spend-ing roughly the right amount on recruitment but 16 per cent felt the costs were too high. Nevertheless, the amounts spent contrast with the outlay by large companies which

ary of staff at this level. The high - 60 per cent - failure rate of these key recruitments may reflect the fact that the proprietors did not make more extensive use of professional advice, Barrow noted. The initial cost might rise if professionals were used but overall spending would fall if businesses recruited the right person first time.

would reckon to pay out 30 - 50 per cent of the first year's sal-

\* Full report to be published in February. Contact Granfield School of Management, Cron-field, Bedfordshire, MK43 QAL. Tel 0234 751122. E20.

**Charles Batchelor** 

# **Business prescription for GPs**

overnment plans for reform of the health service will force general practitioners to take a more business-like approach to their practices. GPs will have to confront similar management problems to those which face other professional partnerships such as lawyers, surveyors and accountants.

Doctors' earnings will in future be more dependent on the numbers of patients they treat and on attaining targets in areas such as the number of immunisations or cervical

smears which they carry out.
These changes, which take effect next April, have prompted strong interest among general practitioners in management skills. About 2,500 GPs have attended "road-shows" organised by BUPA, the largest UK private healthcare group, in recent months. Participants listed financial controls, budgeting, computers, patient relations and staff recruitment and motivation as skills which they needed to

acquire.
The ability to communicate with patients - often criticised as a weakness of many GPs -will in future be a marketing ing recovery, according to Paul Burns, professor of small business development at Cranfield School of Management.

Satisfying patients extends to providing a restful and com-fortable waiting room with the day's newspapers instead of out-of-date copies of Woman's Own; toys for children and a welcoming receptionist, Burns has told seminar participants. GPs should monitor patient or customer - responses by means of patient meetings or

installing suggestion boxes Practice reports, which GPs will be required to issue each year, should convey this patient-centred approach" as well as providing information on the practice. This is a first step to advertising but GPs must not create expectations they cannot fulfil, Burns bas

GPs must also improve their record systems, possibly by computerising record-keeping, in order to demonstrate that they are attaining their gov-ernment set targets. The prac-tice's accounts must be monitored and cash flow budgets prepared to allow investment spending to be planned.

These changes will place heavy demands on practice managers who, in many instances, are senior reception-ists without formal business

It is doubtful whether many of them could be trained to take on broader responsibilities although employing an accountant as a professional, full-time practice manager is likely to prove too expensive for many practices.

The need to devote more time to managing the business may lead to some practices spreading the administrative burden among the doctors as many other professional partnerships do – but this cuts time available to treat patients and may not lead to the most effective management.

The extra management demands placed on GPs are expected to lead to an increase in average practice size and to a sharing of management resources between neighbouring practices in order to spread the cost of administrative staff and of computer systems,

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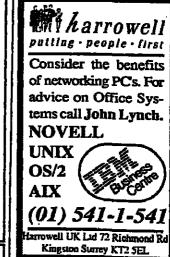
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# Sculptor with the best of both worlds | John Eliot Gardiner

William Packer reviews the work of Anish Kapoor at the Lisson Gallery

nish Kapoor, the sculptor who is to represent Great Britain at the Venice Biennale next summer, is Indian by birth but has lived and worked in London ever since he came to the Sculpture School of the Royal College of Art in the mid 1970s. By the late 1970s he was one of that group of successful young sculptors, group of successful young sculptors, along with Tony Cragg, Bill Woodrow and Richard Deacon in particular, that Nicholas Logadail brought together at the Lisson Gallery.

The Lisson Group they might be, in terms of the interest taken in them by the world at large throughout the 1980s, but to be fell to them as active to be

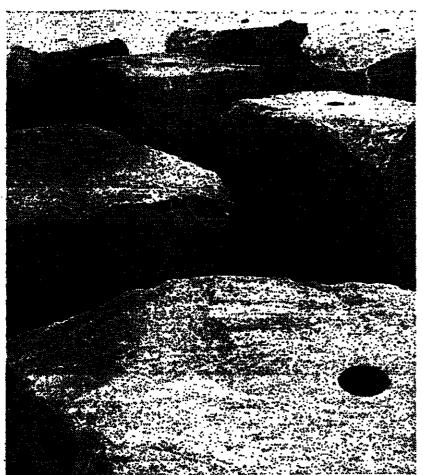
but to be fair to them as artists, it is only their creative independence that

they have in common.

As for Kapoor, whose most recent work now fills the Lisson Gallery (67 Lisson Street NW1: until January 4), he has continued to develop in his work, and now at 35 is well into mid career. Yet the more his work has appeared to ret the more his work has appeared to change, the more it stays essentially the same. For he is that rare artist who can embrace and reconcile the influences of his two cultures; the one in which he grew up and the one in which he was educated and now works. He neither qualifies nor denies either of them, and he remains entirely true to himself. As ever, he offers no excuses, no explanations, but only his work.

The physical presence of his earlier work, with its drenched colour, as if straight from the heaps of dye in the native bazaar, might suggest an imme-diate reference to india and all things Indian: and his amorphous, abstracted imagery, too, might summon up ideas of all manner of Hindu gods and myths and sexuality. But if that is our response, that is entirely our affair. And always there are the formal considerations of a sophisticated modernism to engage the mind – of weight and surface, shape and mass the maginative occupation of space. Kapoor has always been able to have the best of

More recently, however, the work has grown more ambiguous, the symbolism more oblique. He has moved on from modelling the particular form to carving it in stone, with the result that the work now seems to be at a remove, a certain emotional distance. Where before each densely pigmented object might be held to serve some immediate



"Void Field," 1989 by Anish Kapoor

And it is not just the material that carries with it such atavistic implica-tions. Colour remains as a positive force, only now it is darker, more selective, even hidden in its application. We come upon objects with secret cavities, that might be tombs or sanctuaries, hollowed out and worn away as though by the common, thoughtless usage of cen-turies. What colour there is remains as dense as ever, but with only the thought of its constant replacement or repair to suggest its first brilliance. We must bring to it all our own secret

histories.

The show is of two works: the first, a single piece set alone at the entrance to

the gallery, the second a multiple work that fills the rest. "Angel" is extraordi-nary enough, a large slab of slate lying low to the floor, unmodified in its given form but painted a dense and unmodu-lated ultramarine. The effect of this deep blue is not to contradict the form itself, but rather to suggest a curiously symbolic weightlessness, as though here might be a dark and fallen angel

Then, from the top step looking down into the larger gallery, we discover the "Void Field," which is the major work. Sixteen large, irregular blocks of Cumbrian sandstone are set out in rows, each of them roughly four-square in

themselves and to each other, and each centre of its uppermost facet. At a dis-tance these black discs seem only to lie on the pink surface of the stone, but close, inevitable inspection shows the dark void within, bevelled away from the narrow rim. So dense and solid it seems, however, that sight must be con-firmed by touch, before we can believe

that there is indeed nothing there.

There is no physical trick to it, each block merely hollowed out, its interior given the Kapoor treatment in the darkest prussian blue, and then upended. It is the effect that is extraordinary. There they sit, these roughly fashioned, impassive blocks of stone. Yet the marks of the quarrymen's drills and spikes are enough to distinguish them from the purely natural and give them, as individual objects, an unsween, as individual objects, an unspoken human history. Kapoor it is who brings them together, hollows them out and paints them, to give them their more positive, though no less mysterious

archeological presence.

To move through this field of beautiful and seductive stone is an intriguing and oddly disturbing imaginative expeand oddly disturbing imaginative experience. What are these things, set out like megaliths in a field, or Ali Baba's jars, or funerary urns in an ancient, cametery? Who knows? Kapoor would cemetery? Who ke be the last to say.

Now Karsten Schubert (85 Charlotte Street W1: until January 20) is showing a collection of Celtic Stone Sculptures, weathered and grotesque figures and markers of a truly ancient simplicity and mystery. I have yet to see them directly, but the comparison is irresist-ible. And at Eskanazi (Forglove House, 166 Piccadilly W1: until December 22) is the Reach Collection of ancient Chinese ceramics, that includes Tang figurines and equestrian figures of great beauty. But in this connection the earlier tinted jars of the Han period, and the later Song and Ming bowls of the utmost simplicity, are the more apro-pos. As old Sir Thomas Browne has it: These are sad and sepulchral pitchers . . silently expressing old mortality, the ruins of forgotten

time . . . Great examples grow thin, and to be fetched from the passing world Simplicity files away, and iniq-nity comes at long strides upon us. We have enough to do to make up our selves from present and passed times, and the whole stage of things scarce serveth for our instruction."

FESTIVAL HALL

Among many other attributes John Eliot Gardiner must be counted one of the leading "French" conductors of the day. His Sunday afternoon con-cert of French music - Cha-

brier, Ravel, Debussy, Poulenc
- with the Philharmonia
Orchestra and Chorus showed why. It was marked by acute stylistic understanding, sharp-ness of thought and purpose, and that special focussed freshness of sound which is the sine on the bill: and it was a suc-

cess in every way.

The most significant feature of the occasion was the performance of La Mer in the new critical edition by Marie Rolf. The editor's programme note told us of at least one thousand corrections to the standard edition; and though most of them were not obvious to this particular naked ear, some startling

differences of detail emerged -the abrasive brass-writing, notably for trumpets, sheds new light on the entire musical

conception.

The playing itself was of outstanding clarity: there was none of the saturated Big-Orchestra grandiosity which some conductors seek to pump out of the work, but instead a distinctness of line and sonority which proved absolutely revelatory. In the best sense, this performance returned to the work the elusive quality the sense of images forming and dissolving almost too quickly for the ear to catch which is an essential part of Debussy's artistic personality.

At the start of the concert Gardiner had already put one Gallomane in the audience even further in his debt by reviving Chabrier's abort choral Ode to Music for soprano

soloist, female choir, and orchestra. It is a piece of Parnassian inspiration - limpid melodic lines joined together with consummate delicacy in a musical frieze - by one of the most lovable and profoundly musical of composers; and it was given here an ideal reading, forward-moving, unsenti-mental, ravishingly clean in

The soloist was Lynne Dawson, tender, shining, easy in vocal production - impossible to imagine bettered. She returned for Ravel's Shehere-(though a certain sophisticated detachment in the recounting of narrative tended to elude her), and as soloist in the magnificent account of Poulenc's Gloria that closed the concert.

Max Loppert

### Lynne Dawson

In the last few years the name of Lynne Dawson has assumed an increasing prominence in the world of period baroque and classical performance. A voice of such uninhibited radiance will shine out among almost any company, but this was the first time she had chosen to give a solo recital in London and her appearance on Friday was thus a keenly-awaited Wigmore Hall debut. out clear and true, an example

of vocal purity on a large scale. (In the bigger songs Geoffrey Parsons felt obliged to give her somewhat heavyweight support.) Although operatic roles by Verdi and Puccini already feature on the soprano's biography, she still gives the impression of having been reared in the period performance tradition and the basic

slight cold (and still bearded like the Pard for his ENO Ulysses), he wielded his most

mellifluous tenor timbre with

intelligence and grace. His pro-gramme was notably rich: Bee-

thoven's cycle An die ferne

Geliebte, Britten's Winter Words and ten of Hugo Wolf

Goethe settings - three of the latter entrusted to the soprano

Felicity Lott als Gast. That

indicated unshakeable loyalty on her part (they are both founder-members of the Song-

makers' Almanac), for she had

to launch into two of Wolf's

most hectic songs without any

warm-up. She managed well, and better still in the limpid

schiffte:" but it was odd of the

style of her singing follows the strict authentic virtues of clear tone and a direct manner. As these are welcome features in almost any kind of music, it follows that every item on the programme held the promise of real vocal beauty. The opening selection of songs by Schumann also went a step or two further: the singer softened her tone for the intimate "Das verlassene Mägdlein" and made much of the

especially lively.

The bright and forward personality that we know from Lynne Dawson's concert appearances also serves her well in French mélodies. But, as the recital continued, one gradually came to wish for the

Anthony Rolfe Johnson

words in the contrasting songs

that she had placed on either

side. "Die Kartenlegerin," an old Schwarzkopf favourite, was

range of expression to expand further. To include, for example, some feeling for the dark sensuality of Duparc that might have made its point more economically than the grand outpouring of tone that the singer chose, glorious though that was in itself.

The programme ended with Richard Strauss. There was not a lot of depth to the speaking did have was Strauss singing of a high standard, negotiating all the technical difficulties of the Brentano songs and bring-"Morgen" to a dewy-eyed close. There is a generosity about this singer, both in the way she pours out her voice and her involvement in the music, that is difficult to resist.

Richard Fairman

#### On Sunday afternoon, Rolfe Johnson's song recital with Geoffrey Parsons was a contin-uous pleasure. Even with a

Rigoletto MÉTROPOLITAN OPERA, NEW YORK

I have a British chum who wonders whether people will ever again see one of the old operas straightforwardly produced. At the Met the new Rigoletto, produced by Otto Schenk and designed by Zack Brown, is just such a one. The first and their scenes are set out of doors, in the ducal courtyard, but otherwise it is without traditional and eccentricity. Cast after cast will be able to step into it without rehearsal. Act 3 may bring the only hazards:
negociating a rather
precipitous scene, with a
narrow landing-stage out into
the Mincio for Gilda to die on. The sets are realistic, picturesque, and quite handsome. They are not 19th-century painted canvas,

but built. The three principals were those of the new Decca recording: June Anderson, Pavarotti and Leo Nucci. Miss Anderson was making her Met début. As London knows, she is not exactly a touching Gilda, but she has a thorough command of the role and several times during the evening she stirred me, not by characterisation, but through chains of notes that, especially in "Caro nome," were exquisitely placed and beautiful in timbre. Her words

were rather mushy: a reluctance to sound the letter "padre" is the recurrent word.

Pavarotti, to start with, was curionaly brusque, almost shouty. A grunted "th" that often preceded an attack of brought a pushed release. But there was some grace and charm in "La donna è mobile," and he was seductive in the quartet. Nucci was arresting. The voice may not flow evenly and he was apt to be cavalier and he was apt to be cavalier about pitch, but there was vitality and imagination in phrasing, in the use of words. One listened. The Maddalena, Birgitta Svenden, made no impression. Sergei Koptchak sang Sparafucile in a big, becar been beery bass.

The New Critical Edition was biled. Miss Anderson "stayed down" on "Gualtler Malde" but Pavarotti did not essay a trill at the close of "Parmi veder" (is the edition right, or has a tenuto indication been misread?), and he continued to kowtow to 1851 censorship by ordering "a room" rather than "your sister." The conductor, Marcello Parmi, seemed to aim at briskness above all.

Andrew Porter

# Occesc Dance Company

A large grey Sci-Fl set, by Giorgio Cattani, spans the stage. It features a drooping stage. It features a drooping curve of six video screens which during the action, project identical images. Luca Spagnoletti's taped score launches the work with a massive electronic buzz-boom, a doorway opens in the centre of the set and, from a white blaze within white, smoke billows tor more man nye miii

Two women emerge from the smoke and, to left and right of smoke and, to lett and right of the stage, stretch and thrash robotically on the floor. They wear white smocks, white headbands, white ankle-socks, heeled black shoes and chalk-white faces with a smear of red

the start of Tecnica-mente Dolce, by Enzo Cosimi, and it is an effective foretaste of what then follows for an hour. A futuristic chill. A man (Cosimi) joins the women. Stac-cato; mechanical, involuntary behaviour. No warmth, no spontaneity. The loud score dominates – domineers. The video screens comment. The girls show their knickers; the screens show a close-up of knickers (his too, I think), and his eyes (staring). They are all urchins, voyeurs, creeps.
Later, we see him behind a
glass screen, in the inner
chamber, where candles burn.

There his actions acquire more waves and curves to them, but are no more jolly. From there, he sees the girls strip naked and — holding their dresses, peeled back over their heads and then bend over to show us another. In response, the score (fortissimo) and he (silent) scream. Then all three dancers resume robotic business as glares - "Hipocrites lecteurs!"
- at each other and at us.

Tecnicamente dolce was per-formed at The Place last weekend by Occesc Dance Company, which was formed to perform Cosimi's work in 1982. Cosimi, Rachele Caputo and Rita Cioffi are this show's three dancers. Their movement is eclectic — some floorwork, a few ballet steps, some parallel legwork — without being sub-tle. There are no moves that cohere into interesting phrases, there's no sense of a unifying movement style.

The programme note, by the Italian critic Leonetta Bentivoglio, calls the Cosimi/Occesc style "warm, rich and very physical movement, the hub of a world of dance containing vivid colours, violent splashes, a vision that recalls the cin-ema". Apart from the cinema bit, I would reverse that description in every respect.

Italian modern dance had been an unknown quantity to me. This example depressed me for three reasons. The facile dependence on score and set is all too like modern West End musicals and Wayne Eagling's Vangelis choreography for the Royal Ballet. My suspicion that Continental European dance criticism customarily fakes an aged by the programme mate-rial. And the lack of integrity in movement terms recalls all too much other dance from elsewhere on the Continent. Thank heaven for Bournonville

Alastair Macaulay

Frans Hals at the Royal Academy

The Frans Hals exhibition currently at the National Gal-lery of Art, Washington will lery of Art, Washington will come to the Royal Academy of Arts, London, next January, sponsored by Unilever. Organised by the Royal Academy, a total of 66 paintings will be shown from January 13-April 8, including 13 paintings not shown in Washington. The exhibition then moves of the the Frans Halsmuseum, Haarlem from May 11-July 22. lem from May 11-July 22.

songs belonged to a musically connected "Suleima and Hatem" pair, from the eroticoliterary correspondence between Goethe and his poetess Marianne von Willemer. We didn't hear the Hatem plea

we thin't hear the rates pies for mercy to which Suleima's "Hoch beglückt . . ." is the reply, and her perfervid "Nim-mer will ich . . ." served as a prelude to Hatem's "Locken, haltet mich gefangen" (with which Polfa Lohnson wesferred which Rolfe Johnson preferred to conclude) instead of capping it. Why not sing the whole set

That quibble aside, and another too about a few German words that the tenor had Wolf-Goethe exhibit glowed with subtle feeling. So did Az die ferne Geliebte, though the dreamy tempo at which Rolfe Johnson virtually crooned the expensive programme-book not to explain that each of her opening song did better justice to Jeitteles' poesy than to Bee-

thoven's setting: the eager, varied pulse of the accompaniment became self-effacingly bland, at least as Parsons played it. Did Beethoven ever write a self-effacing plano-part? Both singer and planist were bolder and sharper with Winter Words. A friend complained mildly that Parsons' digital treatment of "Wagtail and Baby" proved that he's never watched a wagtail, but I wouldn't know. The stamp of Hardy's wry character bit deep: Rolfe Johnson even ironised his own invincibly sweet tone to make bitter points. Less prissy diction might serve Hardy's plain verses better still fewer preciot consonants, and none of "eef" or "heem" or "like a leeveeng theeng:" but in serious effect scarcely anything.

David Murray

#### ABSA Awards: sponsorship is a healthy £30m plus the London Mozart Players.

Few organisations can have such glamorous prize days as the Association for Business Sponsorship of the Arts. The Princess of Wales was at the Royal National Theatre yesterday to present them, looking pretty; Stephen Fry the compère was wise and witty; and the recipients all managed to be fit and a credit to the City. Sponsored by the Daily Telegraph the ABSA awards demonstrated the health of arts sponsorship, now a £30m plus Few organisations can have

sponsorship, now a £30m plus industry, with a tremendous turn out of business tycoons, December 8-14

consultants and arts administrators. The only missing par-ticipants were artists, although a new award, sponsored by the Telegraph, went to Richard Til-son Thomas, principal conduc-tor of the LSO, for his ingenuity in getting sponsorship for a Rimsky Korsakov opera at the

The other winners were: for a corporate programme, Digi-tal, which has spread out from backing dance to helping the arts generally, including the provision of a computer for the RNT box office.

For a single arts project there were two winners: IBM, for its Leonardo da Vinci exhibition at the Hayward, which employed the computer to enhance the artist's drawings; and A & M Hearing, the largest maker of bearing sids in the UK, which sponsored the RPO's Beethoven Cycle on the

South Bank.
There were two awards in the Youth section: to British Gas for helping "A Small Green Space," ENO's new opera which linked a "Green" theme and the involvement of hidden in working to constitute the section of the sectio children in creating an opera; and to Lloyds Bank for its Young Theatre Challenge, in which the winners perform at

The First Time Sponsor Prize recognised three companies: Cala, a housebuilder and develcaia, a nouseounier and never-oper, whose cash enabled 460 young artists to take working space through Workshop Art-ists and Studio Provision Scotland (WASPS): London Herb & Spice which sponsored Sunday afternoon concerts featuring

introducing a family audience to both music and herbal tea; and Reed International, which moved on from backing Toulouse-Lautrec graphics at the Royal Academy to sponsoring a lavish production of *Il Trova-*tore at Covent Garden. For the most enterprising

new venture in any arts medium the winner was Lon-don Weekend Television, which finances a Plays on Stage scheme encouraging companies to put on new work. The Arts for the Disabled Award was won by ASW Hold-Theatre which tours Wales with productions involving young people with learning and other disabilities.

The promotion of British arts overseas secured prizes for Sainsbury, which took the National Youth Theatre to Moscow, and to Scottish and Newcastle Breweries International division which took young Scottish artists, and Newcastle Brown Ale, to

Finally there was the ABSA/ BP Award for the nominating arts organisation which has made the best use of sponsor-ship. It was shared between two Big Names: the Royal National Theatre and the Royal Opera House. The importance of the ABSA awards in encouraging arts sponsorship was shown by the rise in entries, up by 130 to 450.

**Antony Thorncroft** 

GILBEY CANADA INC.



Nigel Goodall, President and Chief Riger Ground, France in Pleased to amnounce the appointment of Ian Cray to the position of Vice-President Finance and Tressurer.

Mr. Cray joins us from our sister company in the United Kingdom where he was the Finance Director, International Distillers & Vintners Limited (Wholesale). He previously

wine and spirits brands, including Smirnoff Vodks, Black Velvet Canadian Whisky, Gilbey's London Dry Gin, Baileys Irish Cream, J&B Scotch Whisky and Piat d'Or French wine.

### **ARTS GUIDE**

OPERA AND BALLET

Royal Opera, Covent Garden.
Further performances of the hideous new production of *Elomeneo*by Johannes Schaaf, conducted
by Jeffrey Tate, with Philip Langridge in the title role, and Ann
Murray, Sylvia McNair, Edizabeth
Connell and Robert Tear completing the team of principals.

Théitre des Champs Klysées. Bolshot Ballet dances Giselle (2nd act) and Spartacus (2nd act) choreographed by Yuri Grigorov-itch (Wed) 47203637).

Muziektheater. The Netherlands Opera in Don Pasquale, conducted by Carlo Rizzi in a production by Renate Ackermann, sing by Henk Smit, Lillian Was son and Peter Bronder. (255 455).

Théâire Royal de la Monnaie. The Monnaie Opera in *Fierrabras* by Schubert conducted by Ingo Metzmacher (Tues).

Staatsoper. La Traviata is con-ducted by Fabio Luist, with a cast neluding Paul Winsauer, Anna Gonda and Horst Nitsche.

Opera. Samson und Dalila, produced by Gian Carlo del Monaco, will have its premiere this week

with Mariana Lipovsek, Wladi-mir Atlantow and George For-tune as leads.

Opera. A Hans Sotin Lieder recital, accompanied by Helmut Deutsch with songs by Loewe, Strauss, Graener and Shostakov-ich. Zar und Zämmermann is a well done repertoire performance.

Opera. Udo Zimmermann wili Opera. Udo Zammermann will be conducting his own opera Die wundersame Schustersfrau, which will have its premiere this week produced by the East German Christine Mielitz, with a strong cast led by Maria Husmann, Rolf Haunstein, Brigitte Lindnes and Christine Demonstra Lindner and Christine Obermayr.

Frankfurt

Opera. Cosi fun tutte has a first-rate cast led by Margaret Marshall, Mitsuko Shirai, Chris-topher Robertson and Hans Peter Blochwitz Cologne

Opera. Faust stars Josef Protechka in the title role. Die Zouberflöte has Susan Burghardt,

Teress Ringholz, Dieter Schwei-kart and Randall Outland as leads. The ballet Nussknacker und Mausekinig closes the week.

Opera. Der Freischütz is respect-able with Helena Doese, Toni Krasmer and Helmut Berger-Tuna. Elektra in Harry Kupfer's

production features Anny Schlemm, Eva Marton, Wolfgang Probst, conducted by Garcia

Gran Teatre del Licen. Hungar ian State Opera production of La Fiamma, with Montserrat Caballe and Elena Obraztsova in the leading roles; Andras Miko conducts (318 92 77).

Testro Dell'Opera. Beni Montre-sor's production of Verdi's Fal-staff, surpristingly set in the Po Valley in northern Italy, is con-ducted by Evelino Pido. (461755).

Testro Alla Scala. Pler Luigi's Pizzi's lavish production of Verdi's I Vespri Siciliani, with dramatic sets in which Pizzi's favourite colours, red and black

predominate, (809126).

Testro Comunale. Werner Her-zog's production of Verdi's Giovnod'Area with Susan Dunn in the title role, Renato Bruson and Vincenzo la Scola, conducte by Riccardo Chailly. Sets and costumes are by Henning von Gierke, who worked with Herzog on Lohengrin at this year's Bayreuth Festival (528989).

Florence

Teatro Comunale. An excellent cast for Arrigo Boito's Mephis-topheles, conducted by Bruno Bartoletti: Samuel Ramey sings the title role, with Alberto Cup-

ido as Faust, Daniela Dessi as Margherita, Olivia Stapp as Elena and Laura Zannini as

New York

Lyric Opera. Barbara Daniels is Rosalinda and Neil Rosansheis sings Alfred in director Ginlio Chazalettes's new production of Die Fiedermans, conducted by Julius Rudel. Lyric Opera

Amahl and the Night Visitors.
Zack Brown's production conducted by composer Glan Carlo Menotti is a one-act retelling of the story of the Bethlehem shepherd boy whose life is changed by the visit of the three kings following a star. Ends Dec 17. Kennedy Center Eisenhower Theater (467 4800). Theater (467 4600).

Tokyo

Aida. The spectacular Arena di Verona production, with Maria Chiara and Aprile Milo alternat-ing in the title role, and Nicola

Marta (2779236).

Metropolitan Opera. Pre-Christ-mas celebration is brought by the premiere of August Everd-ing's new production of *Der flie-*gende Hollander, conducted by James Levine with Eva Marton, James Morris and Paul Plishka. Lincoln Center Opera House (362 6000).

Washington

Martinucci and Mario Malagnini as Radames. Conducted by Nello Santi. National Sports Stadium, Yoyogi (Tues, Wed, Thur) (355

**SALEROOM** 

A vessel for holding cosmetics, in the shape of a trussed duck, sold for £164,000, over twice its estimate at a Sotbeby's antiqutties auction yesterday. It was made in Egypt in the Middle Kingdom, between 1835 and 1540 BC. Less than twelve of these tiny, 4% inch long artifacts, made in blue marble, are

An Egyptian limestone false door, Old Kingdom, 2345-2181 BC, measuring 49 inches by

century BC is going to New

Christie's took in £939,708 33 per cent unsold. An early

from its morning session of Chinese works of art but with 18th century Imperial famille rose coral ground bowl did well

MIN NO

held both marketing and finance management roles with Unilever and Cadbury Schweppes.

Gilbey Canada markets famous

#### FINANCIAL TIMES

Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Tuesday December 12 1989

# Regulation in the City

LORD ELTON'S premature retirement next spring as head of Fimbra, one of the UK's five self-regulatory bodies recog-nised by the Securities and Investments Board, highlights the pressures which have been building up within the frame-work established ander the

Financial Services Act 1986. Three years after the FSA became law, and some 20 months after it came fully into effect, it remains a controver-sial piece of legislation. It was designed as a complicated and sophisticated combination of statutory regulation and self-regulation. The hope was that after a year or two the kinks in the system would be sorted out and practical compromises would be achieved. But in prac-tice the inconsistencies of the Act appear to have become

more glaring.
In short, is self-regulation of the investment industry on the way out? Anxious directors and executives of the five self-multiple by the self-multiple fear regulatory bodies certainly fear so. Whatever Lord Elton's par-ticular mistakes over the abortive introduction of a compulsory professional indemnity arrangement, it is disturbing that a body which has been set up to promote the protection of investors should have been put under such pressure by vested interests within the interests within the investment industry - though the most damaging resolutions due to have been put at Fimbra's annual meeting tomorrow have now been withdrawn.

#### Nonsensical situation

The tension between self-reg-ulation and investor protection has been there right from the beginning of the legislative process which produced the FSA. Investment practitioners were told that by participating were told that by participating in the regulatory framework they would be rewarded with a more flexible and sensitive sys-tem. But this has produced the sical situation whereby, as at Fimbra's annual meeting, the SROs are answerable to voting members and not, in any direct way, to investors, except in so far as the SIB, acting on investors' behalf, can explode the nuclear weapon of

de-recognition.
In his resignation letter yesterday Lord Elton suggested judiced outsider, the chairman of Fimbra actually needs to be an industry man. This is understandable as a harassed dispatch from the Fimbra battlefront, but such a view can hardly raise public confidence in the ability of SROs to pro-

The fears of the self-regulators have scarcely been eased by the circulation of a confi-dential SIB discussion paper called A Forward Look.
Although cautiously worded Attough cautiously worded, the 65-page document recog-nises that tensions already exist, and are bound to be aggravated by the growing impact of European Commu-nity regulation in the context of the root 1902 single market of the post-1992 single market in financial services.

#### Different practices

The FSA was designed almost without regard for the possibility of a clash with practices on the Continent, where statutory regulation is almost universal. The SIB now points out that Continental banking supervisors, who tend to regu-late investment business else-where in the EC, show distrust of the UK's SROs. And it seems inevitable that the Bank of England, as the statutory regulator of banks, will take on a greater role in supervising the investment business of banks as a result of the Second Banking Directive. This raises a question mark over the future of The Securities Association, one of the current SROs, many of the members of which are subsidiaries of banks.

Where we go from here will depend largely on whether the Department of Trade and Industry can be persuaded to start taking a serious interest in the progress of the regulatory structure it originally created. It could never have been easy for the UK to sustain a different type of regulatory system from those ruling in the rest of the EC and in the US. Cynics have always sus-pected that the self-regulators were lured in to set up the stage could be dispensed with.
There is no reason to believe that the DTI was quite so devicus, but it was always likely that the SIB, once created, would grow and grow. The debacle at Fimbra will speed up this process.

# Tough agenda for V.P. Singh

MR V.P. SINGH, the new Prime Minister of India, sets out to govern the world's largest democracy in the face of enormous difficulties, not least because of the minority nature

of his government.

Mr Singh starts with two important strengths. In a country beset by corruption at the highest levels of officialdom he is widely accepted by friends and opponents as a man of untarnished integrity. He also comes to office with experience of government and proven abil-ity as an effective finance minister in Mr Rajiv Gandhi's Cabinet until he resigned in protest over high-level corrup-

tion. He faces three major problems: racial disharmony, the economy and regional relations. But in dealing with those he faces a bigger diffi-culty. His National Front com-prises five parties of which his own Janata Dal is much the largest. To govern against the opposition of Mr Gandhi's defeated Congress Party, still the largest single party in the Lok Sabha, Mr Singh needs the support of both the Marxist Communist party of India and the right-wing Hindu Bhara-tiya Janata Party.

Mr Singh's best short term hope would be to take a cautious approach, gaining in authority while Congress tore itself asunder in recriminations, with a moderate faction perhaps moving to support Mr Singh's coalition. This would enable him to dump the Com-munists, the BJP or both.

#### Racial clash

However, he may not have the luxury of time on his side. A serious racial clash looks imminent: Hindus planning to build a temple on the revered Sikh site of the former Ayodhya Mosque have announced that building work will begin at the end of next month. The BJP would be incensed if build-ing were prevented by the government; Sikhs (and the Communists) would be equally

enraged if it were not. Mr Singh has shown genuine sensitivity to racial problems and wants to mollify the increasingly militant Sikh minority. A visit to the Golden Temple at Amritsar was an early act of good faith and he has appointed a Moslem, Mufti Mohammad Sayeed, to be Home Affairs Minister in a surprising and imaginative move. But securing peace in the Punjab will be no easier now that 10 of the state's 13 MPs are avowed militants including the widow of one of Mrs Indira Gandhi's assassins.

The economy faces mounting budget and trade deficits - the former exacerbated by enormous expenditure during the general election - deterioratgeneral election — develorating foreign reserves and rising prices. "The coffers of the government are empty," said Mr Singh in a televised speech to

#### Depleted coffers

But he then announced moves which will deplete them further: debts of under \$500 for the rural poor would be can-celled and tax exemptions for middle income groups were promised. As he also promised to widen the tax base the assumption must be that there will be more and higher corpo-

This would need to be approached with some caution. Mr Gandhi's liberalising policles, mostly designed by Mr Singh as finance minister, have started to work, with rising corporate activity and higher profitability providing the much needed force to kick India's previously lumbering and slumbering economy into action. Now is not the time for

disincentives. Mr Gandhi soured relations with Sri Lanka, over Indian intervention in the island's ethnic troubles; with Nepal, over trade; with Bangladesh, over shared waters and flood control. Mr Singh is making suitably conciliatory noises to his neighbours on all these

Thus, the new government has a difficult task. But it is not impossible. Mr Singh has constructed a carefully balanced Cabinet which, a few eccentric appointments apart, looks serious and competent. If his partners and supporters in government can put the gov-ernment's overall objectives above factional ambition there is no reason for the widely predicted early demise of an unstable administration. Mr Singh has formed a government and has made a fair start.

Joe Rogaly reports on an interview with the Prime Minister

# Head in Europe, heart in the US

he Margaret Thatcher you see is the Margaret Thatcher you get. Britain's Prime Minister is still, as a personality, a galleon in full sail. She is bright, energetic, and, for those who have been asking, plainly in complete possession of her faculties. On the surface at least, she shows neither a scratch nor a dent arising from the six months of political misfortune that preceded our meeting with her in that preceded our meeting with her in No 10 Downing Street yesterday. You do not get a back-and-forth interview with her, still less a conversation, yet the set responses come without hesi-tation, no matter how abrupt the switch from one topic to another. She went from the Health Service to Cambodia with the speed and accuracy of turbo-software on the fastest micro-processor chip. If there is self-doubt it is well hidden; if there is a sense of political insecurity it is deeply buried in the nuances of her impermeable

replies.
We started with Europe, following the Strasbourg conference. Had her approach to the integration of the approach to the integration of the European Community changed as a result of recent events? You would not think so, from her initial reply. "No, I think perhaps your reading of events is changing," said the Prime Minister. "After all it was all set out in the Bruges speech." The familiar phrases rolled out . . . Warsaw, Prague, Budapest great European cities . . . wider historic manifestation of Europe . . . nrinciples of civiltion of Europe . . . principles of civil-isation . . . coterminous with Christendom . . . rule of law . . . second

Roman Empire . . . So did the familiar braggadocio. So did the familiar braggadocio. "We started the single market... during my presidency. We got the first 48 directives and set in motion something to finish by 1992..." All that was going on before our eyes. There was the political change in eastern Europe, "which we already were on to ... and the effect of the single market, which was ours" (said with the famous emphasis, which may puzzle future historians as which may puzzle future historians as which may puzzle future historians as much as the assertion), "and, why Strasbourg was very harmonious is the fact that some of our things are coming to pass." The two nations which had led on the single market were not Germany and France; they were Denmark and Britain.

For years Britain had led on trying to get cheaper air fares. The situation suddenly moved this week, due to a bilateral approach to Holland. "Ourselves, Holland and Denmark probably are more forward-looking in these

salves, histantic and beninary prote-bly are more forward-looking in these matters . . ." The Government was trying to get the French to free up on French telecoms as it had freed up on British telecoms. All of a sudden it happened last week. Knowing smile. "Some things happen, you know, just before you have a summit." The clear implication was that President Fran-cols Mitterrand had moved on telecome to spare France from embarrass-ment during his presidency. Things were happening, but they were hap-pening on our pattern. "Do not forget, we knocked out that Social Charter and when it comes back as detailed things people will take a very differ-ent view," she said at another point.

EC as no more than a commercial convenience, a free trade area in which Britain-Holland-Denmark saved West Germany and France from their follies. So, next question: is the single market the consummation of what the Community is about? The reply went back to the Rome Treaty, which was about the common agricultural policy and a common market. "We"



Ashley Ashwood

the former. Barriers were coming down, but not yet enough. We had hopes of a freeing of life insurance, but we hadn't started on the freeing up of the investment/financial serwices work at all. Another example was cabotage-shipping. Any shipping company could pick up cabotage around our coasts; we could not do the same in the Mediterranean. It was the same thing on lorries - that had started to move

The reply played itself out. Subsidies had to go; they had to be less protectionist, and open, as we were.

What about the exchange rate mechanism (ERM) of the European Economic Community? "I thought you were coming to that." Here it was possible to detect a change of nuance, perhaps an important one. For the Prime Minister would not give way on which if any of her well-known condi-tions had to be met, to what extent, and by when. "There'll be no difficulty, for example, in France getting rid of her controls on foreign exchange," she said. President Mitterrand had indicated that this was likely to happen in January rather than July next year, although bringing the month forward would not in itself make a difference to Britsin's itself make a difference to Britain's approach. Italy had its big budget def-icit, and was still talking about distoricit, and was still talking about distortion of capital movements. But once
people could take their money out
they would not be in a hurry to do so.
Spain was still worried about "distortions," but its case did not come up
until 1992. It just depended upon how
they moved. "We will look and see
precisely what has happened, with an
open mind..."

"We are obligated to join the ERM,"
she said, adding for a "when." when
the terms and conditions laid down at

terms and conditions laid down at Madrid were "broadly met." If this was insincere it did not show in her demeanour. She went on, perhaps as evidence of a truly open mind, "I'm not looking at it as taking a whole page of graph paper and making a dot in each little square. Life isn't like that." Was it her view that the ERM would break down with the end of exchange of controls? No she didn't think so. "We don't know what will happen when you're got the whole of Delors stage one in operation and when a currency as big as sterling joins the ERM," she warned. Far more trade was done in sterling, and through London, than through Frank-furt. Most of the world's trade was done in non-ERM currencies.

The Government had not considered joining the ERM on a wide band of exchange rates as a first stage because first it had to get inflation down. There was also our trade deficit compared with the "colossal" trade surplus of the D-Mark. These were not a recipe for exchange rate stability whichever way you looked at it.
So we moved the questioning to
Germany. Could the Prime Minister

envisage the present East Germany becoming part of the Community, either on its own or by joining with the Federal Republic? Not quite. "We were already on to the consequences for the wider Europe and the first person who was, if I might say so, again, was me, by saying that we had a whole list of the type of agreements that we can make with these coun-tries." She instanced a straight trad-ing agreement as with Hungary and

**Interview by** Samuel Brittan, Geoffrey Owen, Joe Rogaly and Philip Stephens

Poland, other co-operation as ments which could be cultural or joint ventures, or association agreements . . . each one was done differ-ently. It was only the Turkey one that carried with it the undertaking of eventual membership. East Germany had its own very special inner Ger-man agreement. We had put in a paper to the European Commission and they were looking it. The essence

of the reply was that the EC had a lot on its plate already, and it was too

soon to tell. Mrs Thatcher had earlier remarked on how the Germans had been more ccessful than Britain in keeping successful than Britain in keeping inflation down. ("You don't need to join an ERM to keep an inflation rate down. Germany did not have to join anyone to keep her inflation rate down.") After ten years in office, she was asked, was that not a great failure? In the early years inflation could be blamed on the Labour Government of the 1970s, but not you. The great of the 1970s, but not now. The ques-tion elicited the closest the Prime Minister would come to an admission of error. "Yes we did have, in retrospect, monetary conditions too loose and that obviously is why we have now got inflation and, now we have got it, we have got to get it down. You will also notice that our unit labour costs are going up slightly more than some of those in Europe and certainly than those in America."

Was she prepared to go through the political pain, lagging by 10 points in the opinion polis; was she happy to keep the squeeze on mortgage payers and borrowers? "Yes, they would be astounded if we did not. They expect us to get inflation down." Did the exchange rate have any relevance exchange rate have any relevance either as an indicator of domestic monetary conditions or the behaviour of unit labour costs? "Of course it does. You cannot ignore the exchange rate . . . you also know that what you can do about it is limited, but it is one of the factors you take into account." Here the Prime Minister carefully emphasised the congruence between her comment and that of her new Chancellor, Mr John Major.

The interview concluded with two issues about which Mrs Thatcher is able to sing her most well-known songs, as they say in show business, once more with feeling: the environ-ment and the liberal economy. Her opinions, as opposed to the Government's actions, are strongly green, even to the point of envisaging the possibility of a change in the direction of growth (although not, of course, dark green in the sense of restricting economic growth).

Party conference she went on about the packaging industry. You know there is so much more packaging that you see people throw things down in 

But the Greens would not like Mrs But the Greens would not like Mrs
Thatcher's views on power generation, which remain strongly pro-nuclear in spite of the collapse of the
nuclear generating programme. There
was an intimation of regret that
Britain did not have a PWR programme like the one France had purchased from the US. Decommissioning
costs were thought to be very much
smaller than for either Magnox or the
AGR. "And we have got Sizewell only
coming on stream." coming on stream."

She was at her most passionate at the end, when she gave us a peroration on her vision of the liberal economy, parrying our interruptions with a smile and "please, please let me finish for it is all of a piece."

finish for it is all of a piece.

It was straight from the school of Keith Joseph, via texts by Hayek. "The liberal economy is the back-up to political freedom and without the liberal economy you would not have the political freedom. And the liberal economy is to enable things, to get the enterprise going. "Its best expression in the English language is set out in the American constitution, which is really one of the most heautiful and correct expressions of liberty in the English language." I had no time to interject the obvious point about executive power being much more diffuse under that constitution.

You also had to have a strong

You also had to have a strong framework of law within which industry had to operate. This had to be constantly updated. The American constantly updated. The American
economy taught that it was the role of
government to do basically those
things which only government could
do. There was a need for a wider
spread of ownership "and also it has
always and will always be a fundaalways and will always be a fundamental part of Conservatism to extend ever more widely opportunity." The attitude of take it or leave it had been a "thoroughly impertinent, totally wrong reading of state services. They should be as reactive to the consumer and to the private sector and that is what we are trying to do . . . the fact that they are paying out of their taxpayer's or ratepayer's pocket is not relevant."

This percention confirmed to my

This percention confirmed, to my mind, that whatever the muances, the instinctive beliefs that have always motivated Mrs Thatcher remain motivated Mrs Thatcher remain unchanged. "You know, it really would be very ironic if, having spent a fortune on education — and we are going to continue to spend a fortune on education — people run away from exercising responsibility," she said, warming to her theme of making the public sector much more responsive. public sector much more responsive. The same applied to out-patients departments. It was absurd that peoo'clock in the morning and still not have had attention at 3 o'clock in the

In sum, the Prime Minister seemed to me to be guided by her head towards the commercial significance of the EC, but by her heart to the political/social ethos of the United States. That has always been her make-up. It has not altered.

#### Deutsche goes back to two

■ Less than a week after the Requiem Mass for Alfred Herrhausen, the Deutsche Bank chief executive who was murdered last month, the names of the bank's new too bosses should emerge later

Expectations are that the bank will revert to a system of having two speakers for its managing board — the proce-dure which operated for many years until Herrhausen took the job exclusively on his shoulders after his long serv-ing counterpart, Wilhelm Christians, retired in May

The signs are that Hilmar Kopper, 54, and Ulrich Weiss, 53, will be the new joint speakers for the bank, which does not have a chief executive. Rather, in Deutsche Bank tradition, the speaker, who is paid the same DML2m as his other managing board colleagues, is merely supposed to be primus inter pares, and all decisions require unanim

whatever the theory, the charismatic Herrhausen was more than just first among equals, and, for all their talents, neither of his two likely successors can match him for either presence or rhetoric. Weiss, a multilingual banker who is married to a South American, has made his mark internationally by chairing the Eurocheque/Eurocard network, while within the bank he is responsible for personnel and auditing. Kopper, who stands out on Deutsche's degree-laden

without a university qualification, has come up through the ranks, having joined the bank straight after school. While previously responsible for international commercial banking, he took over Herrhausen's investment bank-ing hat when the latter

board as the only member

# **OBSERVER**

last year.

#### Rare business

■ Eight months after it was established, Makinson Cowell, the investor relations consul-tancy, has picked up a notable new partner in Robert Brand, formerly Head of UK Research

at BZW Securities.

John Makinson, who used to write the Lex Column in the FT, says that he does not think that the company has any direct competition. It operates somewhere between a corporate stockbroker and a finan-cial public relations firm. The main business is strengthening relations between companies and their shareholders.

There are 10 leading UK companies on the books at present. According to Makin-son, it was impossible to take any more without new staff.

#### Like a merger

■ Neues Deutschland, the East German Communist Party newspaper, yesterday ran its first advertisement. Appropriately, it was in the spirit of closer economic (and political) relations between the two Ger manys.

The full page ad was run jointly by Luithansa and Inter-flug, the West German and East German airlines. Their company logos appeared side by side in the sort of advertise ment placed by two firms which have just completed a merger. "We are happy to present you our latest offer of direct flights between both German states," it said.

Actually, the recently started flights between Frank-furt, Düsseldorf, Hamburg and Munich in the West and Leipzig and Dresden in the East are somewhat circultons. They are forced to make a wide arc around the joint east-west German border and enter Ger-



is one allowed?

vakia and the Baltic Sea. Until now the wartime allies jealously reserved the right to decide on all air transport between the two states. That was one of the subjects being talked about when the Ambas sadors of the four powers met in West Berlin yesterday for the first time since 1971. The Neues Deutschland ad??? also noted that flights

between destinations in East and West Germany will cost only DM150 until January 15. That is about half the price of Lufthansa's internal West German flights, which are among the world's most expensive per kilometre.

■ No sooner had Charles Haughey, the Irish Prime Min-ister, left the EC Strasbourg summit last week when another Haughey arrived on the scene. His son, Sean, is the mayor of Dublin, Ireland takes over the EC presidency

Other Haughey

on January 1 and Haughey

junior was in town to accept, Olympic torch-style, the Euro-

pean flag from Catherine Trautmann, Strasbourg's socialist mayor.

"Vive Strasbourg. Vive Dublin. Vive Europe", chorused Trautmann. Haughey junior said he was overwhelmed. A glittering reception followed, complete with a generous supply of Irish whiskey. A coup for the Haugheys and the marketeers of things Irish? Not quite: the Irish whiskey industry is now controlled by the French Pernod group.

High target A great deal of thought went into the siting of the new Brit-

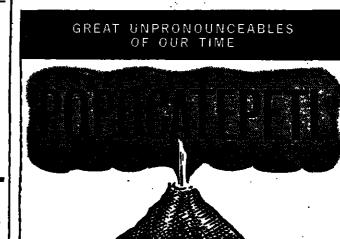
ish Embassy in Manila. It had to be in a prestigious building, strategically located, and the security men preferred that it occupied the upper floors. The choice fell on the 15th, 16th and 17th floors of the Locsin Building, at the junction of Makati and Avala Avenues

Unfortunately, just a week after the staff moved in and before there was time to hang thoughts occurred to the officers commanding the elite Scout Rangers who led the rebellion against President Aquino. They moved into the building, though not the Embassy, just as the last Brit-ish staff left for the night. Soon afterwards government troops opened fire with rocket-propelled grenades exploding

on the outside walls and machine gun bullets ripping through windows and walls. Staff are hoping to patch up enough of the damage to allow Jaime, Cardinal Sin, the Archbishop of Manila, to bless the new premises next week. Five floors below, the FT office escaped without a

Numbers game

Trom an advertisement in an Ohio newspaper: "Olga and Richard Steinberg have been married for three years. They might still be single but for our computer dating service."



(Pop-o- catter-pettal. Aztec, Popoca, to smoke, tepeti, a mountain) is easily the most unpronounceable volcano. It rises in the form of a cone to a height of 17,720 feet above the sea-level and is composed chiefly of porphyritic obsidian. Although no eruption has been recorded since 1540, it still smokes. This hot, volatile, Mexican geological peculiarity has no connection whatsoever with the smooth, subtle and infinitely dependable qualities of Bunnahabhain (Bu-na-ha-venn) 12 year old single malt Scotch whisky. Bunnahabhain is distilled on the

isle of islay and the pleasures of drinking it are directly proportional to the difficulties of pronunciation.



Available at Oddbins, Harrods and Selfridges and selected branches of Victoria Wine, Peter Dowlnic, Unains and Augustus Barnett.

Il through this extraor-

Europe as a whole has been incredulously watching

the death-throes of commu-nism in the east, the French have been preoccupied with something else, I haven't mea-

sured, but my impression is that the "headscarf affair" has easily beaten the Berlin Wall

in column mehes in the French

press and pronomicements by French politicisns. The success of the Front National in the by-elections at Dreux and Mar-

by electrons at livery and Mar-sellies the Sunday before last suggests that it may also have had a much bigger effect on French voting behaviour.

Yet it is difficult for us in

Britain to take the affair seri-ously at all — which shows

how profound the cultural dif-

ferences between neighbouring

European countries still are, and how unlikely it is that we

shall all become "identikit"

Europeans, whatever arrange-ments may be made in Brus-sels and Strasbourg.

In case any non-French read-ers have missed the story so far, let me recall the question of the results of the recognition.

at the centre of the argument; it is whether the headmaster of

a state secondary school in

Creil, a rather drab new town north of Paris, was right to send home three Moalem girls, aged 13, 14 and 15, who refused to remove their headscarves in

To the British instinct there

are two fairly obvious answers.

The first is that this is precisely the kind of judgement
that is best left to the man on

that is best left to the man on the spot, in this case the head-master. Every school is bound to have its own rules about the dress and appearance of purils. Sometimes these may have to be adjusted to take account of parents' concerns, especially where religious beliefs or sensi-tivities are involved, but it is important that school discla-

important that school disci-

pline be applied fairly to all. To balance these principles and retain the respect of all con-

cerned is the very essence of a head teacher's job.

this case the head teacher probably made a mistake, and

that at any rate his rule should

not serve as a nationwide model. French state schools do

not have a uniform as such,

headscarves are a normal form of female attire, and no tradi-

of lenate attre, and no trans-tion requires women or girls to remove their headgear indoors. If these girls or their parents believe their religion requires them to keep their heads cov-ered, surely that is their right, and they should not be demied the headits of girls advention

the benefits of state education on that account, especially as

the likely result would be the

growth of Moslem private schools and the deepening of

13.5

0.55

1 161 %

The second answer is that in

te on the commer-lespread

reco<u>ndi</u>. owth of ië says. ink surn counpanies ctivity . Pour ut dealt here. tiative other ay of rison

the comi to Ecu UK

FOREIGN AFFAIRS

# Liberté, Egalité, Laicité

**Edward Mortimer** compares French and British reactions to Moslem activism

have generally been solved at the local level without any great fass. Yet this one has set the whole of France by the ears in a way almost nothing has done since the Dreyfus case. Unlike the Dreyfus case, however, this is not a straightforward left-versus-right battle. The Crell headmaster, by his resolute defence of the secular principle (laicité) in French education, has become a hero to a coalition stretching from the Communists to the Front National, and including most of the mainstream conservative parties as well as a large chunk of the governing Social-

The education minister, Mr Lionel Jospin, tried to have it both ways, saying that the

the social and cultural gap between Moslems and the rest of the community.

Such is my reaction, and I believe it would be the "commonsense" reaction of most people in Britain. Similar problems are by no means unknown in the UK, but they have generally been solved at it is at this point that British readers may begin to find the affair a little less alien to their own experience. After all the UK too has had a major public controversy this year (the Rushdie affair) arising from a Rushdie affair) arising from a clash between Islamic sensitivities and a central principle of the state to which the left is strongly attached, namely freedom of expression. In that case too the left finds itself unexpectedly divided, and that section of it which defends the traditional principle is surprised and embarrassed to find itself on the same side of the itself on the same side of the barricades as the extreme right. Britain's National Front has taken up freedom of expression, just as France's Front National has taken up laicité, as a useful stick with which to belabour an immi-

#### In Britain part of the political and religious establishment has taken the Moslem side

headscarf should be banned but that this must be achieved through dialogue rather than exclusion. He has been bitterly attacked from within his own party for selling out laicité, which for a century has been one of the defining principles of the French left. The issue seems certain to dominate the party congress to be held in three months' time. Left-wingers on both sides of

that in Britain a significant part of the traditional political and religious establishment has taken the Moslem side. Christians in Britain have expressed fellow-feeling with Moslems over their outrage at the "blasphemy" of The Satanic Verses, and some British conservatives have sneeringly called Mr Rushdie's defenders "liberal fundamenthe argument have waxed ironic about the sudden enthutalists". But in France neither the church nor any significant

One striking difference is

voice on the political right has been willing to make common cause with Moslems against what might strike an outside observer as "secular funda-mentalism" (intigrisme laique). One might have supposed that British conservatives would be more strongly attached to the principle of freedom of expres-sion than French conservatives to the minerals of laterial but apparently not so.

In part - but only in part -that could be because in France there is a Socialist government in power: politicians tend to be less sensitive, when out of office, to the danger of provoking civil disturbance by riding roughshod over the reli-gious feelings of a large minor-ity of the population (Unless of course, like some Labour MPs in Britain, they depend on the votes of that minority for reselection).

The difficulty that the Brit-ish have in identifying with what seems to be the majority position in France is that in Britain secularism is largely a de facto affair. It has never been advanced as a positive feature of the state (which remains legally a theocracy), and seldom clearly identified as a key component of democracy. The phrase which defines Britain's historically-reached consensus in this area is "religious toleration", which implies an essentially passive attitude to religion on the part of the state. Britons - or Englishmen anyway - are assumed by their own historiassumed by their own histor-cal and constitutional litera-ture to be religious people, but people who by and large wish to preserve their religious prac-

states. How, then, can Parlia-ment ensure that Community

legislation takes account of the UK's vital national interests?

Westminster has no formal place in the decision-making process of the Community, the Commons can only influence Community decisions through

the voice and vote of British

ministers in the Council of Ministers. For the Treaty of

Rome, unlike most federal constitutions, provides no machin-ery by which states' rights can be defended. That is a serious weakness at a time when the

Community is proceeding so

rapidly towards European inte-

These dilemmas have recently been highlighted in a report by the Procedure Com-mittee of the House of Com-

mons.1 It paints a depressing picture. All too often, debates

on European legislation are

held after 10pm and last for less than an hour and a half.

They are, according to John Wakeham, the former leader of the House, "cursory" and "not very well attended." Debates are often held too late to exert

any real influence on Commu-

nity decisions. In one case, in June 1989, the Commons began

a debate at 1.08 am on a draft

directive on broadcasting due to be considered by the Council

of Ministers later on the same

On occasion, there has not

even been debate. There was

no debate in the Commons on the fateful Madrid summit ear-

France's official history, by contrast, sees religion as an active force whose nature is to encroach on the state's domain, at the expense of democracy, unless confined to the private sphere by a set of firm and jealously-guarded bar-riers, of which a strictly secular state education system is perhaps the most important. French education has traditionally emphasised a common core of citizenship, where Brit-ish education has been more diverse both in content and in

tice from political interference.

My instinct is still that headscarves in class are the wrong issue to fight on. But it may well be that the French experi-ence of religion is more rele-vant than the British when it comes to dealing with the spe-cific challenge of Islam. For Islam is less like 20th century English Protestantism, and more like 19th century French Catholicism, in its reinctance to be confined to the purely

low fuel consumption. Such

cars should be available now, to reduce the consumption of

fossil fuels - not least because

of threatened global warming.
A look at the profits of Nissan's UK distributors shows

that they at least have not suf-

fered as a result of the restric-

tions Indeed, Japanese motor car manufacturers have will-

ingly continued the present

regime because it has not undermined their profits and because they have feared that

the alternatives might be

should press the Commission to phase out all restrictions on

The British government

worse for them.

Britain and the EC

# The need for scrutiny

By Vernon Bogdanor



lier this year at which Stage One of European monetary union was approved. Thus, the Commons' discussion of a host of consequent legislative measures was pre-empted. The way in which the House was treated over the Madrid summit, comments the Procedure Committee, "represented a serious breakdown in the scru-

tiny system." The basic cause of the failure of scrutiny is the utter diver-gence between the methods used at Westminster and those of Strasbourg. In the Com-mons, the scrutiny of legislation in standing committees is divorced from the investigatory procedures of select com-mittees, which have the power to question witnesses. In the European Parliament, by contrast, there is a unified committee system combining the functions of scrutiny and investigation. Every MEP belongs to one of these committees and they are able to build up a considerable degree of expertise.

Further, almost all bills come to the Commons as firm proposals for legislation, their main essentials little altered in committee. Community docu-ments which come to the Commons for scrutiny, on the other hand, are generally "projets de lois" subject to considerable change before adoption. Thus the Commons needs some prospect of exerting influence before legislative intentions are finalised. It has to embrace

concept unfamiliar in the UK but commonplace on the Continent, of a pre-legislative committee. What is needed for European

legislation is a committee structure which blends the leg-islative scrutiny of the stand-ing committee with the investigative processes of the select committee. The procedure com-mittee recommends the creation of five such "special standing committees" on European Community documents to pean Community documents to cover agriculture, trade and industry, treasury, transport and environment, and general (the remaining departments and subjects). They would have the power to question ministers before considering Community documents. They would be committees of a quite new type in the Commons (except for a brief experiment in 1980-81) — pre-legislative committees, able to exert a genuine influence on the final form of legislation.

Yet the procedure committee did not go quite far enough in its proposals. Why should the special standing committees be restricted to the questioning of ministers? Why should they not also be empowered to question other experts on Commu-nity legislation? In particular, why should they not be given the power to mobilise expertise of members of the European Parliament who are in the strongest position of all to act as an early warning sys-tem on Community legislation?

easily be harnessed to the pro-posed Committees were they allowed to sit on them, even i they did not have the right to vote. Belgium and West Germany have already set up such joint committees, but in Britain we are afraid to do so because of the shibboleth of parliamentary sovereignty, and Westminster's traditional fear

of competitors. Last month Mrs Thatcher declared that the European Parliament was not a real par-liament as people in Britain understand it. In no other Community country is there so little regard for MEPs on the part of government and parlia-ment. Westminster is still seen as the sun around which everything else moves. Yet Britain will only be able to make the Community accountable by combining the skills of its MPs and MEPs. Instead of seeing the European Parliament as competitive with Westminster, it must be seen as complementary. It has become common to regard Britain and the Commu-nity as entirely separate political systems, each insulated from the other. It is only by seeing them as interconnected and interdependent that Britain will come to terms with its European future. 1 Fourth report from the

Select Committee on Procedure: 1988-89. The scrutiny of European legislation'
The author is a Fellow of

# <u>LETTERS</u>

#### Japanese cars in the EC

From Sir Hugh Cortuzzi.
Sir, As a former British
Ambassador to Japan from 1980 to 1984. I welcome your leader of December 8. It is high time that a definitive term is put to the restrictions on imports of Japanese cars into the EC, in particular into

I deliberately eschew the term "Voluntary Export Restraint (VER)" because, in my view, the term is a hypocritical emphemism. The industry and unions lobbied the British government, especially in the mid to late 1970s, to exert pressure via the Japanese Ministry of International Trade and Industry for discussions between the Society of Motor Manufacturers and Traders (SMMT) and the Japan Anto-mobile Manufacturers Associathan 10.8 per cent of the UK market This was a limit which it was difficult to achieve as demand inevitably varied from

forthcoming investment by Toyota, and to the rise in the value of the yen, is now fortunately much more competitive.

Investment income tax anomaly

From Mr Mark Franklin. Sir, Michael Saunders (December 6) criticises the way in which composite rate tax (CRT) subsidises taxpayers at the expense of those below the income tax threshold.

This should not divert atten-

tion from a far larger anomaly in the tax treatment of non-labour income, which penalises all taxpayers in receipt of investment income rather than

Mark Franklin, Credit Suisse First Boston,

2a Great Titchfield Street, W1

full nominal yield, including that part representing compen-sation for the erosion of capital by inflation. With inflation now at 7.3 per cent, real post tax returns on investments yielding 10 per cent net of CRT are below 3 per cent for basic rate taxpayers, and less than 1 per cent for those taxed at a higher rate.

Extending indexation relief to investment income would raise personal sector savings chronically low by international standards.

manufacturers to use their quotas for higher priced cars. Your car industry correspon-dents have pointed out the excellent qualities of Japanese imports of Japanese motor vehicles from 1992. Hugh Cortazzi, Hill Samuel, 100 Wood Street, EC2 mini cars, in particular their

wage increases not matched by rising productivity.

The British consumer has suffered because the prices

charged in the UK for Japanese motor cars are higher than they need be. Moreover,

because of the restrictions, the consumer has been unable to buy Japanese mini cars; it is

more profitable for Japanese manufacturers to use their

From Mr Frank Strickland.
Sir, David Barchard reports
("Broker says smaller building societies face bleak future."

lation in Britain is destabilised by this process - going on somewhere all the time. It leavers, as an addition to improving - greatly - the education and training on offer works to our continuing disadin schools for the 16-18 age

'Action this day."

tion (JAMA) which would ensure that the import into Britain of Japanese motor vehicles did not take more By 1992, it ought to be able to meet competition from imports and survive. The word "ought" needs to be emphasised. The industry will not be able to compete effectively if British motor car manufacturers price themselves out by inflationary

year to year. When these restrictions were imposed in the 1970s the plain understanding was that they were strictly temporary. This was interpreted as meaning three to five years at most. The restrictions have now been continuing for over a dozen years. The British motor industry, thanks to co-operation between Honda and Rover, to investment by Nissan, to the

Building for success

December 4) that UBS Phillips and Drew, in its report "Banks & Building Societies: Blood-bath in the High Street?", is forecasting "a bleak future for small and medium sized build-ing societies in the retail financial services market of the

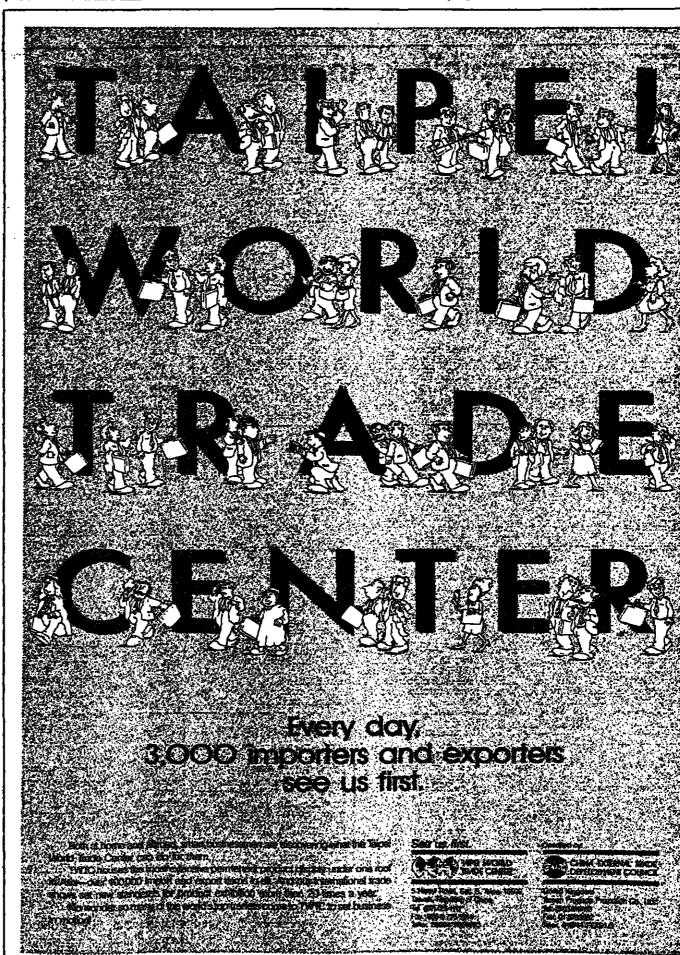
The Building Societies Association has been arguing for some time that the size of a building society is not an indicator of the future success of

Rather, the quality of its management and its ability to spot what the customer spot what the customer requires, and to deliver prod-ucts at the right price and at the right time, are far more likely to determine its future in a competitive market place. If size was the main determi-nant of success, one would expect the Financial Times, a newspaper with a circulation of less than one-tenth the circulation of The Sun, also to be facing a "bleak future."
Frank Strickland,
Chairman of the Council,
Building Societies Association,

3 Sonile Rom, W1

man's job and pay." The work-force has started to say: "A robot will soon be doing what I am going to learn." These are the cultural road blocks. I believe that we shall only get round them with a market-driven training scheme. That is why I support the Confedera-tion of British Industry scheme of training vouchers for school

We could then say: "Stay on if you can, use the voucher if you can't . . " I believe that Churchill would mark such a brief: Charles Villiers, Blacknest House



capital gains.
Following the 1988 Finance Act, full indexation relief can be offset against capital gains tax; while recipients of invest-

The need to overcome an inherited culture of management

From Sir Charles Villiers. Sir, I asked you earlier (Letters, October 18) why British wages and salaries have risen, over the last 10 years, so much more than those of our principal competitors oversess a question prompted by Martin Wolf's article "Ques-

tions about the British Mira-

cle." (October 14).

I am now convinced that the reason lies mainly in the lack of vocational training in Britain, leading to a very serious shortage of skilled labour. The World Competitiveness Report 1989 ranks Britain nearly at the bottom of the class of the 22 OECD countries in both training and availability of skilled personnel. The effects are these:

• The British economy is pretty well confined to "old"

industrial products, with which management and work-force are familiar. The market for these is inevitably dimin-

ishing.

British management, facing a pay round, fears above all the loss of its skilled and experienced personnel. So it takes the "going rate" and adds on the action of the personnel and adds on the contract of the person. one, two or even three percentage points, to protect its interests, as it sees them; • The unskilled - and much

larger - part of the workforce, mwilling to be left behind, and urged on by the unions, puts in a comparable claim which managers find hard to resist while they have the money, • The cash thus distributed goes straight into consump-tion; it is seldom saved or invested. This puts upward pressure on prices, stokes up

inflation — and "away we go;"

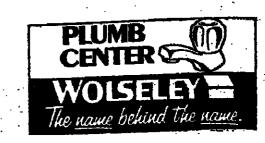
Company revenues are thus diminished before they even reach the profit-and-loss account, and are thus not available for investment in technical training, research, development, and technically improved physical assets;

The whole industrial popu-

What we have to overcome is an inherited industrial culture of management which says: or management which says:
"They learn best by exposure
on the bench," and, "Why
should I train people for others
to employ?" In the workforce
there is a deeply ingrained attitude which says: "I am fed up
with schooling, and I want a

# **FINANCIAL TIMES**

Tuesday December 12 1989



Four powers discuss future role

# Moscow wants more talks on Berlin

THE SOVIET UNION concerned that developments in East Germany could veer out of control, indicated yesterday that it wished to continue talks begun yesterday in West Berlin with the three Western

Ambassadors of the four Second World War allies met for 2½ hours in the Allied Control Council building in West Ber-lin for the first time since they concluded the four-power greement in 1971.

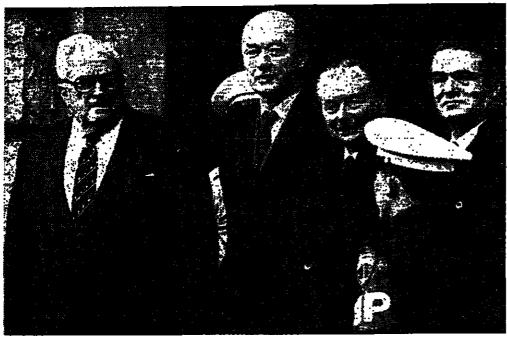
In a brief statement issued after the meeting, the ambassaafter the meeting, the amossa-dors stressed the importance of maintaining stability "in and around Berlin" and the role the four powers could play.

This was the only reference to the growing turnoll in East Germany which Western offi-

cials said was worrying

Moscow.

Rising demands for reunification in East German demonstration last strations evoked a warning last weekend from Mr Mikhail Gor-bachev, the Soviet leader, that Moscow would see to it that "no harm" came to East Ger-many. The officials noted that the Soviet Union requested the four-power meeting.
Mr Vyatcheslav Kotchemas-



Ambassadors of the four Second World War allies after yesterday's meeting on the future of Berlin

terday's talks, expressed "favourable interest" in pro-posals made by the Western ambassadors to West Germany

who attended the talks: Sir Christopher Mallaby (UK), Mr Vernon Walters (US) and Mr Serge Boidevaix (France).

The proposals were based on an initiative on Berlin launched by former President Ronald Reagan in 1987 when

he visited West Berlin and called on Mr Gorbachev to tear down the Berlin Wall. The proposals call for removing restrictions on air traffic to

Berlin and turning the city into an aviation centre.

They also recommended holding international conferences, and events such as the Olympic Games, in both halves

Moscow, however, last year gave a negative response to the Western initiative and suggested the allies discuss air traffic with the East Germans.

Meanwhile, both East and West Germany are seeking direct air links across their commans. common border which can only be granted by the four powers. Western officials said the positive Soviet response yesterday indicated that Moscow wanted to play a greater role in inter-German

affairs The West German Minister for Inner-German Relations, Mrs Dorothee Wilms, said the Allies must see "that the Ger-mans have the right of self-de-termination just like any other

In a radio interview, she said the way to German unity "was part of the way to European

Gatt warns

anti-dumping

on use of

# Wrong numbers on mobile phones

The UK Government's largess in handing out licences for the Carlton new generation of mobile telephones may be better news for the consumer than the licens-ees. The market for personal communications networks will

communications networks will doubtless be immense, but so will the expenditure. The three PCN operators will be investing at least £1bn apiece, to which must be added extra competitive spending by the cellular operators, to say nothing of fixed link and Telepoint. The PCN networks are not expected to move into profit expected to move into profit before 1997 or so. Meanwhile, it is unclear whether they will become the dominant force in the UK telecoms market or whether they will be squeezed between the public service net-works at the bottom of the

the West German cellular mar-ket. As for GEC, it might do better selling equipment to the PCN operators than competing with them.

Communications

Rapid profits growth, a

flurry of acquisitions, involve-ment in the media, a chief executive who has been voted

young businessman of the year - Cariton has all the ele-ments of a company which is going to come a mighty crop-

of the major Hollywood stu-

casting Bill and the growth of satellite broadcasting. And the expected sale of Cosworth, the

car engine group inherited

warket and cellular at the top.
Yesterday's result left the
shares of the surprise loser
GEC almost unchanged, while
those of STC and British Aerospace were up only 5 per cent and 3 per cent respectively. This seems broadly sensible. The biggest winner could yet prove to be Cahle & Wireless, which will compete with British Telecom on both mobile and conventional phones while also enjoying useful links with the West Correspondent with the West Correspondent values were collected as the west Correspondent with the West Correspondent values were collected with the West Correspondent values were collected with the West Correspondent values were collected with the West Correspondent values were considered with the West Correspondent values with

Carlton

Communications Share price relative to the FT-A All-Share Index 160 100

from UEL will eliminate gearing and leave the group a nicely focused holding for US and Japanese investors trying to buy into the European

1985 86 87 88 89

broadcasting industry.

All this comes at a price – a current year multiple of 14.5, assuming 12 per cent earnings growth after last year's 30 per cent. Given that record, inves-tors can evidently forgive the group's refusal to break down its profits by subsidiary. In the long term, over-confidence could be the greatest hazard. Young thrusting companies always make one acquisition too many; a regional television contractor is reputed to be high on Mr Green's shopping list.

English China Clays

ECC's poor reading of the paper industry's business cycle in the last couple of years has been embarrassing, costing it 2 to 3 percentage points of the market for kaolin and calcium carbonate in Europe. But judging by yesterday's 8p rise in the commany's share price to the company's share price to 428p, the episode is past his-tory. Although ECC's mere 2.5 per some day. But for the moment it is hard to spot the flaws. With the acquisition of tory. Although ECC's mere 2.5 per cent growth in earnings per share fell a long way short of its usual standards, the City's thinking seems to be that this is still a company with a near 50 per cent share of the market in its core business, coated paper. Demand can be expected to grow at 3-4 per cent per annum; and on that basis, ECC surely deserves a rating better than 9.2 times Technicolor, Carlton has a solid core as one half of the duopoly operating in the video duplication industry. The sell-through market for pop videos and feature films has taken off, and resture finds has taken of, now that the retail price is down below £10, and Cariton has safeguarded its position through contracts with many rating better than 9.2 times The company's other main operations — in television image processing and facilities — should gain from the expansion of independent TV production implicit in both the Broad-

But it is hard to see that the re-rating should be especially dramatic. True, pre-tax profits should move ahead again next year. ECC's UK aggregates division is likely to see flat growth and housebuilding will be grim; but the company has already stored up perhaps 25m of cost savings and interest

charges should fall sharply.

The worry is that ECC has not solved the question of what to do with the cash pumping out of its clay business. Assume cash flow of about Assume cash mow on active states next year, and it could have zero gearing by next autumn, against grossly understated net assets of around \$750m. If the market starts to think ECC is readying itself to buy something big, one won-ders just what the impact on sentiment will be.

Retail sales

Consumers may think that Christmas starts earlier every year; but for retailers, 1989's Yuletide cheer is worryingly delayed. November's 0.8 per cent sales decline, against an expected small increase, follows an 0.4 per cent fall in October. Anecdotal evidence is already emerging of shoppers buying more modest presents. Such a spending shift should be good news for low-ticket retailers such as WH Smith and Ratners, but spells even and Ratners, but spells even greater gloom for fashion and electricals stores.

The sales figures are admit-tedly erratic and prone to sub-stantial revision. But some stores, faced with a choice between carrying stock at high interest rates and losing margin, have already begun to cut prices. Those who shop late may get the best bar-gains – and that probably applies to those considering an investment in the stores sector.

S & N

This year's interims from Scottish & Newcastle are particularly uninformative, not only because of the lack of divisional detail. The big strategic issue for the group is how to maintain the stimulus to to maintain the stimulus to earnings from the sale of its lotels, which took place at the end of the reporting period. The suggestion is that it might pick up brewing capacity from regional or national competitors. The worry for the market is whether it can do so at around 12 times earnings, its own current rating.

The other worry is that Etders, having flogged its 22 per cent stake around the world to no apparent effect, might have to place it in the morket At westenday's 200n market. At v the shares go some way towards discounting either pos-sibility. Also, the hotels sale should ensure spectacular earnings growth for the full year, perhaps of the order of 25 per cent. But there is still an element of bid premium, and that looks more remote than ever.

#### Argentina devalues austral by 35 per cent By Gary Mead in Buenos Aires

**UK** grants mobile communication licences

BAe.

A WIDE-RANGING Argentine economic package, including a 34.8 per cent devaluation of the austral, was announced late on Sunday evening by President Carlos Menem's five-month-old Peronist Gov-

The measures included a two-year postponement of the maturity of short-term austrai-denominated government bonds, of which some \$7bn are in issue. Holders will continue

m issue. Holders will continue to receive interest.

The new officially fixed exchange rate is 1,000 australs to the US dollar, against the rate of 650 australs which had been in place since the Government took office in July.

The Government has also The Government has also decided to return to two offi-

By Hugo Dixon in London

A NEW era in tele-

yesterday when the UK Gov-

ernment awarded licences to

three international consortia to

provide mass market mobile

A group led by Mercury communications, British Tele-

com's only mainstream rival,

has been given one of the

licences. The others have gone

to consortia led by British Aerospace and STC, the UK

electronics group. Each net-work is expected to require an

investment of about £1bn (\$1.57bn).

sonal communications net-

works, which should be ready

for operation by 1992, are

intended to bring mobile com-munications within reach of

They would support cheap, lightweight phones that could

be used to make and receive

calls from virtually anywhere.

responding to pressure both in her Cabinet and among Con-

servative MPs to emphasise a positive commitment to

The Prime Minister said con-

ditions laid down at June's

Madrid summit - including lower British inflation, further

progress towards the creation

of a single market and the removal of capital con-

trols - had to be fulfilled before sterling could be taken into the EMS exchange rate

With Britain's inflation rate

and trade position far out of line with those of West Ger-many, membership of the ERM

now would not be necessarily a

recipe for stability. "We have

to get down inflation before we can go in," Mrs Thatcher said.

the ordinary consumer.

The systems, known as per-

cially sanctioned exchange rates. The 1,000 australs to the US dollar rate will be used by the Government for export-import transactions. The other will be allowed to float, though with central bank

intervention.

The unofficial black market rate – which during November operated between 900 and 1,200 australs to the dollar – has thus been recognised as more accurately reflecting the currency's value.

The devaluation contradicts earlier statements from both Mr Nestor Rapanelli, Economy Minister, and other senior offi-cials who since July had affirmed said that no devaluation would be made before March 1990.

The systems are initially

expected to compete with the

current cellular networks run

by Vodafone, part of Racal Telecom, and Callnet, a BT

subsidiary.
They could also pose a threat

to BT's monopoly of the ordi-

nary phone service because customers would be free to

exchange their fixed phones for

mobile phones.

The licences offer the biggest

opportunities in UK telecom-

munications since the licen-

sing of Mercury and the cellu-

lar operators in the early 1980s.

Some observers think personal

communications could be more

important for the consumer

than either of these develop-

In business terms, though,

they are unlikely to be as

lucrative as the cellular systems because the licensing of three new players is expec-

She emphasised, however,

that Britain had agreed to join and that the conditions were not rigid: "I am not looking at

it as taking a whole page of graph paper and making a dot

in each square. We entered

into an obligation and that obligation will be met."

participation was possible before 1992 – the most likely

She said she thought it unlikely that the removal of capital controls by France and

Italy would lead to the break

down of the exchange rate sys-

tem – a view attributed to Sir Alan Walters, her former per-

Asked if that meant British

Thatcher indicates shift of emphasis Continued from Page 1

date for the next general elec-tion — she replied: "We will look and see precisely what has happened, with an open

competitive market.

A one-day bank holiday, also announced on Sunday, yester-day prevented any exchange

operations.

Besides the sharp devalua-tion Mr Rapanelli also announced an average 60 per cent rise in petrol prices; monthly wage increases for public and private sector employees of between 24,000-30,000 australs [\$24.\$30 at the new official exchange rate]; and an 11 per cent increase on export duties. Price rises for other public sector utilities, in line with that announced for petrol, are likely to follow

likely to follow. While the measures go some way towards alleviating the immediate problems of an

Mr Eric Forth, the Trade and

Industry Minister, said that

"very many millions" of people would be using personal com-

munications by the end of the

BAe may provoke political con-

troversy because it comes in the middle of the row over the

Government's handling of the

sale of the Rover Group to

that BAe was getting too many favours from the Government.

The recommendation to grant BAe a licence was made by the

Office of Telecommunications,

the industry's regulatory body.

BAe has a 35 per cent stake in its consortium. Pacific Tele-sis, one of the US "Baby Bell" operators, has 20 per cent of the group; Millicom, the US

mobile specialist, 14 per cent; Matra, the French electronics

manufacturer, 10 per cent; and

Sony, the Japanese electronics

On domestic policy, Mrs Thatcher reinforced the view

of Mr John Major, the Chancel-lor, that interest rates would have to stay high until infla-

tion had been brought down significantly, in spite of the damaging impact on the Gov-ernment's standing with the

"They expect us to get infla-

tion down and they are quite right... The consequences of the the reverse would be too

Mrs Thatcher indicated she

was fully in tune with Mr Major's view that the Govern-

ment should neither ignore

sterling nor commit itself to a

sonal economic adviser.

Mr Forth, however, denied

The award of a licence to

rency and lagging state sector tariffs, the package is bound to have a serious inflationary effect, driving December's retail price inflation far beyond President Menem's

promise of 2 per cent.
Current estimates suggest that the inflation rate this month will reach 15 per cent.
The package may buy some breathing space for the Menem administration. Its plans to improve tax revenues and cut public spending have become seriously delayed in the last two months.

However, a growing public perception is that the new abrupt efforts to rein in the economy suggest a slackening pace in the reform pro-

The licence award is some-

thing of a coup for Millicom, which was Racal's initial part-

ner in the Vodafone network.

It is also the second success in a week for PacTel, which has

just won a 26 per cent share of the new West German mobile

STC has 30 per cent of its group, called Unitel. Other

partners are: US West, another "Baby Bell" with 30 per cent; Thorn EMI of the UK with 25

per cent; and West Germany's

The BAe and Unitel consor-

tia were chosen by Oftel from a

list of seven applicants because of the flair of their applica-

Mercury's application was seen as solid but not as imagi-

Personal communications

that what you can do about it

In her assessment of the

next election, Mrs Thatcher said there could be no question

of a retreat from the "economic

liberalism" at the centre of its policies over the past decade.

However, she stressed "Tory-ism" meant establishing a strong "framework of law about matters of pollution, about certain basic standards,

about making certain that peo-

ple cannot produce things

Looking ahead, Mrs Thatcher said the Conservative aim was "enlarging opportu-

nity, it is making the public

sector . . . more responsive.

You cannot have choice only in the private sector.

which are unsafe."

native as the other two.

analysis, Page 8:

Bundespost with 15 per cent.

group, 4 per cent.

licence.

#### measures By William Dullforce in Geneva GOVERNMENTS are making

increasing use of anti-dumping measures against imports, Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, warned yesterday. In his annual report to the Gatt council, Mr Dunkel said that in the US and the Euro-

pean Community anti-dumping had become the most fre-quently invoked instrument of trade policy after tariff duties. His report, which also singles out the Super 301 provisions in the new US Trade Act, comes as the council prepares to debate this week the Gatt secretariat's first reviews of the trade policies of individual and the US - to help enhance its role as policeman of the

world trading system.

Gatt's anti-dumping provisions were intended to protect domestic enterprises against "predatory, as distinct from competitive, behaviour by for-eign producers," Mr Dunkel said.

Since 1980 Australia, Canada, the EC and the US, the four main users of anti-dumping measures, have started over 1.000 investigations.

More than 500 led to protective action. Trade analysts have criticised the EC in particular for misusing Gatt provisions that allow countries to take counter-measures against imported goods sold at unjustifiably low prices.

Brussels has been accused of

deliberately using anti-dumping procedures as a protection-ist device. Mr Dunkel said governments

had been broadening the scope of anti-dumping procedures both by introducing regulations specific to certain sectors of trade and by changing the methods used to determine whether dumping has occurred.

He referred to the approach under which, instead of comparing market prices in the exporting and importing countries, the investigator calculates the "normal" value of a good and compares this constructed value with the price charged on his market. Japan has accused the EC Commis sion of using such a method.

Recent anti-dumping mea-sures referred to by Mr Dunkel included those taken by the EC against Japanese photocopiers and integrated circuit boards, in which Brussels extended its rules of origin to cover compo

# NEWS REVIEW

# BUSINESS

of Ferranti International on Long Island, New York, has secured a second major contract worth over \$13m for the production of AN/SPA-25 radar displays for the United States Naval Sea Systems Command. The display is currently being fitted to US Navy warships as part of a continua rently being fitted to US Navy warships as part of a continuing improvement to their functional systems. The AN/SPA-26G display incorporates a digital scan converter which enables sensor data to be overlaid with graphic symbology and presented as part of a comprehensive tactical display.

The Fuel Dispensing Systems Group of Ferranti Industrial Electronics has won a major order from Tesco for the supply of fuel dispensing systems and forecourt kiosk control units. forecourt kick control units. The contract, valued over £640,000 follows the successful completion of contracts for similar equipment for 34 sites as part of Tesco's programme to upgrade its supermarket forecourts and introduce unleaded petrol.

Briefly...

Saab Instruments has placed a production contract with Ferranti Computer Systems for 1000 Met-Lam printed circuit boards, which will be incorporated in the avionics system of Sweden's new combat aircraft, the JAS39 Gripen.

The Royal Signals and Radar Establishment at Defford has successfully trialled RF and Very Small Aperture Terminal communication equipment specially developed by Ferranti Computer Systems. Saab Ins<del>trument</del>s has

#### ADVERTISEMENT -

#### Cardion displays for US Navy

Cardion Electronics, a division

Tesco fast fuel

### RADAR

### First Seaspray Mk3 for export Navy Lynx

The Farranti International Seasyray Mk3 radar flew last month for the first time in a Westland export Navy Lynx helicopter, the initial aircraft in a contract for a Far Eastern customer.

Manufactured in Edinburgh, by the Radar Systems Division of Ferranti Defence Systems, this first system was delivered, integrated and flown within 15 months of Seasyray Mk3 heing specified for Westland's latest generation Navy Lynx.

Seaspray Mk3 is a lightweight frequency agile

NAVIGATION

#### £16m NATO contract

The Navigation Systems Division of Ferranti Defence Systems has been selected as prime contractor for the supply of NATO Ships Inertial excess of £16m, placed on Navigation Systems (SINS) to the navies of Canada, the Natherlands, Spain and the United Kingdom in conjunction with Sperry Marine Inc. as major sub-contractor and prime manufacturer.

as major sub-contractor and prime manufacturer.

The selected equipment, MARLIN gives higher reliament in the selected equipment, MARLIN gives higher reliament in the selected equipment, MARLIN gives higher reliament in the selected equipment, and maintainability using proven strapdown inertial sensors which can, if production phase and will necessary, be replaced at sea achieve the specified NATO SINS performance requirement calibration, it requires no special on-board ment using state-of-the-art test equipment or periodic ring laser gyros from an maintenance.



# TC TF 19 91 Findes 5 41 Findes 5 41 Findes 5 41 Findes 6 Findes 11 Findes 12 Findes 12 Findes 12 Findes 13 Findes 13 Findes 13 Findes 14 Findes 15 Findes 16 Findes 16 Findes 17 Findes 18 Findes 18 Findes 18 Findes 18 Findes 19 Findes 10 19 London 34 Los Asqui 34 Luxumbte 57 Magrid

**WORLD WEATHER** 

### specific target. "You cannot ignore the exchange rate. You also know Czechs want to

rejoin the IMF

Continued from Page 1 vakia in recent months. "The Communists had lost control: new thinking was going on in many places. The Western press concentrated on the brutality of the police, which was important. But it missed the

changes from below. The party leadership had only the power to liquidate demonstrations." "There was little difference between me indulging in hrinkmanship with the existing structures and that of the open dissidents who were being arrested."

#### Dresdner, BNP launch bid Continued from Page 1

are not disclosed but include

gains from trading on the bank's own account, had also risen strongly. Another executive revealed that 10 months' earnings had already exceeded the full year's figure in the

bank's previous best year. Heralding a string of new developments in eastern Europe, Mr Röller said that the hank was already in talks to set up an operating unit in Hungary, while it also planned to establish a representative office in Poland. The political opening in Eastern Europe rep-

resented "a historical chance for the Federal Republic, and also for our bank," he said.

Meanwhile, the bank
announced the completion of its domestic insurance strat-

egy, with the long-awaited conclusion of exclusive marketing pacts with Deutsche Herold Hamburg-Mannheimer and Victoria, three leading German The latest pacts complete the

process started in March this year, when the bank struck a marketing deal with Allianz, Germany's leading insurer.

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# **FINANCIAL TIMES** COMPANIES & MARKETS

Tuesday December 12 1989



#### INSIDE

#### Ciba-Geigy turns back to basics

Ciba-Gelgy is world renowned for its chemicals. But in recent years it has been expanding its electronics activities. It was something of a surprise, then, when it announced yesterday that it was selling Spectra-Physics, the US laser manufacturer acquired only two years ago, and Swiss specialist electronic equipment maker Gretag. John Wicks reports on a move intended to allow the Basie company to "sharpen its focus on the core business of pharmaceuticals and agricultural and special chemicals". Page 20

#### Out of the melting pot



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The welding of Societé Générale de Belgique's sprawling non-ferrous mining interests into a single streamlined force is arguably one of the most significant decisions taken by

the company's new management in the wake of the gripping take-over tussie of last year. It provides a clear strategy for the non-ferrous metals activities for the first time since SGB's valuable mining interests in Zalre were nationalised in 1967.

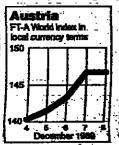
And according to Henre de Carmoy, SGB's chief executive, it paves the way for the emergence of a big international grouping to rival industry giants like RTZ and Metallgesellshaft.

Page 26

#### The pound is always greener

UK farmers receive less for most of what they produce than almost any of their colleagues in the European Community. But at least part of their penalty could be removed if the green pound were to be devalued. Last week, Sir Simon Gourlay, president of the National Farmers' Union, demanded just this, but Mr John Gummer, Britain's agriculture minister refused even to discuss the possibility publicly. In his Farmer's Viewpoint, David Richardson explains the concept of green currencies and argues that a 10 per cent devaluation of the green pound across the board would raise consumer prices by less than 1 per cent while increasing UK commodity support prices by 2600m. Page

#### Leaders step up pace Those stock markets



that are on course to scoop the medals at the end of the year found a new burst of energy last week as they caught sight of the finishing line in the global race. Austria was out in front
again, spurting shead by
6.3 per cent over the
week, its gain slace the
start of the year is 65.5
per cent in local cur-

#### rency terms - impressive enough, but not even close to the 113.6 per cent rise achieved over the year by Mexico. Page 44

#### Taming the beast

To one broker the fast-growing and highly-profitable market in US dollar-denominated Japanese equity warrants is "a wild and open market". And this has clearly not been lost on the Japanese Ministry of Finance. For - citing investor protection as its prime motive — the ministry is seeking to tame it and the brokers who operate in it. Page 24

#### **Market Statistics**

Base lending rates
Benchmark Govt bonds
Enropean options each
FT-A indices
FT-A world indices .
FT int bond service
Financial futures -
Foreign exchanges
London recent issues

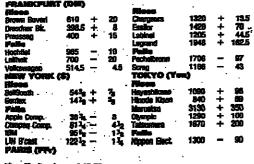
London share service London traded options London tradit. options New int. bond issues World commodity prices World stack mikt indices

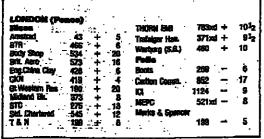
#### Companies in this section

Airtours Amel Berkeley Group Bond Corp Builder Group CEP Communic CEP Communications
Cargo Control
Cartiton Comms
Channel Intl.
Ciba-Geigy
Coated Electrodes
Edencorp Leisure
English China Clays

26 Holmes & Marchant 21 J & S Component Eng JLI Group Jaguar Koor La Générale Learmonth & Burchett Magna Int'l Marling Industries Motsă-Seria Mondadori 20 Morgan Granfell
20 Morgan Granfell
20 NMB Postbenk
30 Nat'l Semiconductor
20 Norfolk Capital
27 Rhône-Poulenc Eurocopy Fleming Intl High Ford Motor Harris (Philip) Heinz Hestair Hoschst

#### Chief price changes yesterday





# McCaw wins bid battle over LIN

By Roderick Oram in New York

HELLSOUTH yesterday dropped out of the running for LIN Broadcasting, clearing the way for LIN's takeover by McCaw Cellular Communications.

The deal will make McCaw, 22 per cant owned by British Telecommunications, the most powerful provider of cellular telephone cardiose in the IIS and will lay services in the US and will lay the foundation for the creation of the first national cellular net-

work.

BellSouth, the largest of the US regional phone companies created by the break-up of AT&T in

agreement with BellSouth to force McCaw to improve its offer to a package worth between \$122 and \$140 a share, according to varying analysts' estimates. BellSouth's offer was worth about \$115 to \$125 a share.

1984, became LIN's white knight after McCaw opened the bidding in June at \$120 a share, some \$6.5bn in total.

LIN's board used its merger From the start, Wall Street BellSouth's shareholders".

From the start, Wall Street analysts had been sceptical that a regional Bell company could match the financial engineering of McCaw.

Under the merger terms, McCaw will pay \$154.11 each for 21.9m LIN shares, giving it, with its current small stake, some 51.1 per cent of the company. The remaining minority shares will keep trading publicly for five

years. LIN's independent directors and advisers will then set a price for McCaw to buy the

ninority.

Cautiously in public and more outspokenly behind the scenes, McCaw had criticised BellSouth during the fight for being insufficiently committed to cellular's

McCaw moved quickly to mend fences yesterday. It agreed to pay \$26.5m to Los Angeles RCU's, the company 15 per cent owned by McCaw and 85 per cent by Bell-South which in turn owns half of

one of two cellular licences in Los Angeles. The other half is owned by LIN.

owned by LIN.

The money will be spent on upgrading the joint company's equipment and service, which McCaw had said during the fight were sadly deficient.

Through LIN, McCaw will also jointly own with BellSouth a

licence in Houston.

BellSouth will also receive \$66.5m from LIN for agreeing to terminate their merger agree-Lex. Page 18

-0.6%

40.6%

# Japan revives Motown blues

Anatole Kaletsky on problems facing the US car industry

t seems like a recurrent nightmare. A decade after they dragged the whole US rivals, Japanese car makers were spending billions on building car plants in the US. economy into recession in the early 1980s, Detroit's Big Three car manufacturers are once again tormented by a familiar set of horrors: declining sales, excess capacity and sharply-falling prof-

But just as in the car industry's nightmare of the early 1980s, a deeper menace lurks behind this humdrum litany of business cycle complaints. That menace is again Japan — as Mr Lee Iaccoca, chairman of Chrysler, made quite plain last week when he announced his com-pany's decision to sell its aerospace and defence subsidiaries in order to concentrate all its resources on the "fierce" competitive struggle that lies ahead.

Until recently, the US car makers were reluctant to acknowledge how vulnerable they remained to the relentless chal-lenge from Japan. As long as the demand for cars was strong, the Detroit companies were able to content themselves with modestly declining shares of a robust market. Since the mid-1980s, the US manufacturers' combined share of the car and light truck market has fallen by around three percentage points to 73.6 per cent in the first 11 months of this year.

For a while, as US quality and productivity improved and the dollar depreciated sharply, it seemed possible that American car makers might gradually recapture some of their lost market shares.

Perhaps the greatest comfort to Detroit was that the Japanese seemed to be shifting strategy themselves. Instead of pushing imports, and using an overvalued dollar to undercut their Detroit

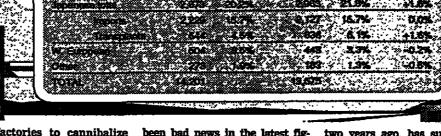
The Japanese commitment to US production seemed like the strongest evidence that US manufacturing and labour costs were reaching parity with Japanese levels. It also seemed to offer some assurance that future com-petitive conditions would not be distorted by wild currency move-ments as they had been in the first half of this decade.

The hope was that Japanese inward investment would create more of a level playing field. As the yen appreciated against the dollar, a widespread assumption among analysts was that the 2m Japanese "transplants" would Japanese "transplants" would not cut into Detroit's production but would instead "cannibalize" demand for the 2.3m cars exported from Japan to the US each year. However, since the beginning

However, since the beginning of the 1990 model year in October, a deep sense of gloom has spread around Detroit. With the ending of the extremely costly discounts and incentives which had been used by the US car markers to clear out, newanted stocks of 1989 models, the dismal industry-wide sales figures have suggested strongly that the long-dreaded cyclical downturn in the US car market may have begun. But what Detroit has found But what Detroit has found even more alarming, has been the breakdown of the sales fig-

ures between US-based and Japanese manufacturers. For this has suggested a much more serious long-term threat to Detroit's prosperity than the cyclical recession for which all three of the US car makers had been preparing themselves for years.
The recent sales figures have

shown that Japanese car makers have no intention of using trans-



ever more voraciously into

Detroit's market share.
While each of the US-based manufacturers reported lower market shares in the first two months of the 1990 model year than the year before, all five of than the year before, all two of the leading Japanese manufactur-ers — Toyota, Nissan, Honda, Mazda and Mitsubishi — substan-tially increased their sales. As a result, the Japanese manufactur-ers accounted in November for 30.4 per cent of the US car mar-ket, against a share of 25.6 per cent a year ago.

ket, against a share of 25.6 per cent a year ago.

The figures were particularly disturbing for Chrysler, whose sales fell by 14 per cent in November, reflecting an onslaught by the Japanese not only on its traditional car lines but also on the hugely-successful and profitable market for family years and leeps. The 35 per cent vans and jeeps. The 35 per cent fall in Chrysler's share price from a high of \$29% this summer to \$19% reflects Wall Street's growing concern about the \$14bn investment that the company says it will have to make over the next five years to revamp its

entire product line.
But in a way, General Motors is even more seriously threatened since the Japanese challenge con-tinues to be aimed mainly against its still huge market

successful of the US-based car makers at present, there has

plant factories to cannibalize their own sales of imports. Instead they seem to be eating first decline in market share for many years.

As Japanese owned factories in the US steadily ramp up their production from the current annual rate of 1m units to an estimated 2m by 1933, this pincer movement between falling demand and rising Japanese imports and production seems likely to continue, for at least five rescons: five reasons:

The Japanese are shifting their

product mix dramatically up-mar-ket. Increasingly they are build-ing their traditional mass-market cars in the US, while they expand market share with imports of new luxury models and special-purpose vehicles like family vans and jeeps.
Imports of standard Toyotas,

Nissans and Hondas are giving way to up-market models like the Lexus, infiniti and Acura; and the remainder of the Japanese import quotas are being eagerly selzed by second-tier specialised manufacturers like Mazda, Isuzu • While growing sales of Japa-

pean importers even more than Detroit, the European's market share may soon be cut to a virtually irreducible minimum of ultra-luxury and status demand. The squeeze on the top end of Detroit's model lines will then become even more intense. At the bottom end of the market, Hyundai, the Korean car maker which made a spectacular debut two years ago, has suffered big sales setbacks as a result of product problems in the last year. If Hyundai and other third world car makers should make a comeback, the main victims would now be the Detroit companies, and not the increasingly up-mar-

• Because the Japanese car plants in the US employ younger and largely non-unionised work-ers, with much lower health beneffit costs, they typically spend \$600 less to make each vehicle than their competitors in Detroit. ● The Japanese flexible manufacturing systems and huge R&D investments have enabled them to introduce new models extremely rapidly. This flexibility has given the Japanese a vital marketing edge, responding rapidly to shifts in consumer tastes,

ket Jananese

such as the growing demand for family vans and jeeps.

Demographics also favour the Japanese. Their customers started young and are moving up-market. In contrast some of the US marques, notably Cadillac and Okismobile appear to be in danger of dying with their clientale.

such as the growing demand for

The first lesson Detroit and Wall Street are drawing from the Japanese challenge is that US quality and productivity are still not high enough. But in the months and years ahead, more will be heard of another familiar analysis: that Detroit requires more protection, since competi-tion against the Japanese simply

#### **Bullish** forecast for water shares

By Clare Pearson in London

SHARES IN the 10 water and sewage companies being priva-tisated by the British Govern-ment are expected to make a buoyant debut on the London stock market this morning as

stock market this morning as investors chase shares in the heavily-oversubscribed £5.24bn (\$8.28bn) flotation.

All the companies should rise to big premiums, powered by frustrated demand from institutional buyers, who have seen nearly 30 per cent of shares initially allocated to them taken away to bein cover big public. away to help cover big public

applications.

Full implementation of these switching arrangements means private investors are now enti-tled to £2.5bn, up from an initial £1.4bn, of the total flotation. But those who applied for large num-bers of shares will still receive far fewer than what they applied

With 2.7m public applications made in all, water has taken its place among the best-sellers in the Government's privatisation programme. In total, private buyers asked for 5.7 times the number of shares initially laid aside for them.

aside for them.

Water prices quoted by I.G.
Index, the financial bookmaker,
jumped yesterday following confirmation of the strong demand.
The bets were that the compamies' shares would close today at
premiums of between 25p and
33p to the 100p partly-paid price.
There are significant differences in the way allocations are

ences in the way allocations are shared out under the separate offers, depending on the level of over-subscription. In five out of the 10 companies, applications for more than 800 shares will be cut back.

However, J. Henry Schroder Wagg, financial advisers to the Government, stressed yesterday that more than half the people who applied for shares in their

who applied for shares in their local companies would get as many shares as they wanted.

Roughly half the public applications came from such applicants. Investing locally ensured a person would receive preferential treatment over outsiders. and generous shareholders incentives. Asked to choose between opting for bonus shares on a one-for-10 basis after three years, or a cash discount off the later share price instalments, about 60 per cent of customers opted for the loyalty shares. Their decision to take the lon-

ger-term perk was made in spite of uncertainties about how the position of the privatised water sector might be altered under a Labour Government. Details page 28

# Taiwanese buy Wyse Technology

By Peter Wickenden in Talwan and Louise Kehoe in San Francisco

CHANNEL INTERNATIONAL a Taiwan-based consortium funded in part by the Taiwanese Government, yesterday agreed to acquire Wyse Technology, the ail-ing US computer-maker, for

The deal marks the largest overseas acquisition by Taiwan, overseas acquismon by Taiwan, which, for the last two years, has been actively pursuing the acquisition of foreign technology.

Channel will pay \$10 a share for Wyse stock, company and government officials said in a press conference. The total value of the transaction includes \$156.7m for outstanding shares in Wyse, and another \$111.7m worth convertible bonds issued on

the Luxembourg exchange.

The principals in the consortium are the privately-owned China Trust Group, Pacific Petrochemical, USI Far East, the Mitac Group, a leading Taiwan personal computer manufacturer, and a development fund set up by the Taiwan Government.

Consortium members are to put up \$120m of the equity, and

the rest will come from unidentified banks. Wyse went on the auction block earlier this year largely due to sluggish sales of its personal computers, which accounted for 39 per cent of its total 1988 sales. The company, however, still holds a substantial share of the

world market for terminals, making it number two after IBM. According to Dr C.F. Koo, chairman of the China Trust Group, which holds a 29 per cent stake in the consortium: "Wyse is a world-class computer-products

company that currently holds a 50 per cent share of the US general-purpose terminal market, and [one] that is well-known for its outstanding products, people, and distribution capabilities."

Channel officials added that Wyse's headquarters, marketing, and other operations would remain in San Jose, California,

and that the company would maintain its focus on its traditional lines, including personal Wyse, founded in 1981, was

success story in its early years on the basis of booming sales of its inexpensive computer terminals, inexpensive computer terminals, which are used with mainframe and minicomputers. The company's problems began in mid-1988 after it entered the personal computer industry. After initial success, it fell behind other makers of IBM-compatible PCs.

Sales began dropping while a huge inventory of unsold computers built up at the company and its distributors. The company's

widely regarded as a high-tech

cash reserves dwindled. In January, the company laid off 560 workers and announced the resignation of Mr Phillip White, president, whose responsi-hilities were taken over by Mr Bernard Tse, founder and chief

its distributors. The company's

Last month, the company reported a net loss of \$3.6m or 25 cents per share on sales of \$119m for the second quarter ended September 30. That compares with net income of \$3.3m or 24 cents on sales of \$129.4m in the year-

# Finnish forest groups to merge

By Enrique Tessieri in Helsinki

THREE big Finnish forest product groups yesterday signed a letter of intent to merge their pulp operations into a new con-cern which will be Finland's larg-

est pulp company and one of the biggest in Europe. Metsä-Serla, one of Finland's major forest industry groups with turnover reaching FM7.59bn (\$1.81bn) in 1988, United Paper Mills (UPM), another leading forest group, and the Finnish forest owners' co-operative Metsaliitto will combine their pulp operations to form Metsä-Botnia. Kemi, a large pulp company in northern Finland, will also be acquired by Metsä-Botnia in the

The new company will have an annual pulp making capacity of 800,000 tonnes and a turnover of

around FM2.6bn in 1989. It is seen by analysts as an attempt to address increasing competition within the European forest prodncis market in the 1990s by securing adequate supplies of pulp, as well as to rationalise invest-

ment expenses at home.

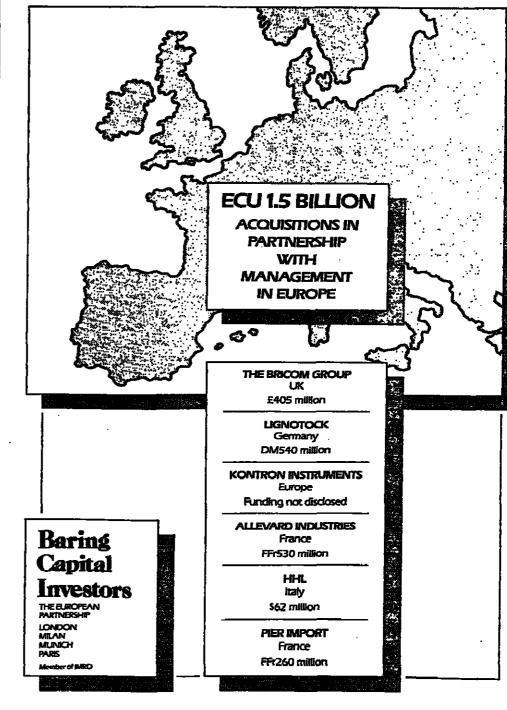
In the past two months, both
Rauma-Repola, an engineering and forest group, and Enso-Gutz-eit, another leading paper com-pany, have decided to expand their pulp production by building new mills in Finland. Metsa-Botnia also revealed plans yesterday to build two new pulp mills in the towns of Kajaani and Kaski-

Ownership of Metsä-Botnia, which has a share capital of FM366m, is as follows: Metsā-Serla 30 per cent, Metsäliitto

(which owns 48 per cent of Met-sä-Seria) 23 per cent and UPM 42.6 per cent. Negotiations are presently under way with the insurance company Tapiola and Pohjan Sellu, a pulp company, for

the remaining 4.4 per cent owner-ship of the new company. Late last month Metsä-Serla also made a bid to acquire full ownership of UK Paper, the leading fine paper group which was bought out from Bowater Industries in 1986. UK Paper's share-holders will give their reply to Metsä-Serla's bid on December

It was only last July that Metsā-Serla pulled out of the EC when it sold its tissue paper units to the West German Papierwerke Waldhof-Aschaffenburg



doesn't work.

oel Masson explained: "The idea is to have a business which links

the mine to the customer in a much more efficient and more

cost-effective way."

Mr Masson, chief executive

of Acec-Union Minière and chairman of Metallurgie Hoboken-Overpelt (MHO) and

Vicille Montagne (VM), was speaking before the formal announcement in Brussels last

week of a big reorganisation in

the non-ferrous metals assets owned by Société Générale de Belgique (La Générale), Bel-gium's most powerful holding

The move is arguably one of the most significant taken by

La Générale's new manage-ment in the wake of last year's

gripping takeover tussle. It is designed to bring the group's interests in this sector under

one management roof and lay the foundations for a more

It also provides a clear strat-egy for the non-ferrous metals activities — for the first time since La Générale's valuable

mining interests in Zaire were

nationalised in 1967. It offers

another opportunity for La Générale's new owners, the French investment bank Compagnie Financière de Suez, to show its commitment to Bel-

gium and to the long term. Mr Hervé de Carmoy, La Génér-

ale's chief executive, believes it

also paves the way for the

emergence of a leading interna-

tional grouping to rival glants such as RTZ and Metallgesel-

However, there remain

important questions for Acec-Union Minière, as the newly

merged entity will be known.

How will it overcome its short-

age of upstream capacity, nota-bly in zinc? Where will the

promised savings and invest-ments in the new group be made? And how will manage-

ment maintain earnings when current highly profitable metal prices take a dip?

Many investors will be con-centrating their efforts, for the

moment, on putting together

integrated operation.

company.

# Ciba-Geigy to reduce its electronics activities

By John Wicks in Zurich

CIBA-GEIGY, the Swiss chemicals concern, is substantially to reduce its activities in the electronics sector through the sale of its US subsidiary Spectra-Physics and the Swiss

company Gretag.

The move is intended to allow the company to "sharpen its focus on the core business of pharmaceuticals and agricultural and special chemi-cals," it said yesterday. Spectra-Physics, based in

San Jose, was bought by Clha-Gelgy in 1987 for \$277m. It is the world's leading manufacturer of lasers, laser systems and chromatography instru-ments, as well as a leading producer of analytical systems. Its 1989 turnover is put at the equivalent of SFr545m (\$340m).
Gretag, of Regensdorf, specialises in the production of electronic equipment and systems for use in photo-finishing, printing, data communication and projection display. Sales

this year will be about cent last year to SFr1.1bm. SFr190m. Ciba-Geigy also At the start of this y intends to dispose of a 37 per cent stake in the US company 3-d systems, which is active in the development and manufacture of stereo-lithography tech-

nology.
In the case of Spectra-Physics, Ciba-Geigy says the activi-ties of the subsidiary have been tending away from equip-ment and towards systems, thus moving into new client sectors and away from the

sectors and away from the Swiss company's core business. The Gretag group has for its part become less interesting for the Basle parent since it sold its Ilford photographic division to International Paper of the US earlier this year. In the past years, Ciba-Geigy has been expanding its electronics activities. Following the acquisition of Spectrathe acquisition of Spectra Physics in 1987, turnover of the corresponding division "elec-tronic systems" rose by 35 per

At the start of this year, sales jumped further due to the takeover of the Toledo Scale concern in Ohio, divisional turnover reaching SFr1.27bn for the first nine months of

1989.
The Swiss company stres it has no plans to divest Toledo Scale, now integrated into the Swiss Ciba-Geigy subsidiary Mettler. This year, Mettler-To-ledo is expected to book sales of SFribn and is a worldwide leader in the field of electronic

weighing equipment.

As yet, no buyer has been identified for Spectra-Physics and Gretag. Ciba-Geigy says it will seek to sell them to "strategic corporate buyers commit-ted to devoting the resources required to develop their tech-

nology and markets."

Ciba-Geigy intends to continue co-operation with Spectra-Physics in "selected are

# Drug groups may co-operate

RHONE-POULENC and Hoechst, the French and West German chemicals companies. are discussing co-operation accords in pharmaceuticals and other areas, company offi-cials said yesterday.

The agreements are awaiting the French Government's final decision on the future of the state's 40 per cent stake in Roussel-Uclaf, the French-based pharmaceuticals company which is 54.5 per cent owned by Hoechst.

The Paris Government is considering transferring its

Roussel-Uclaf stake to Rhône-Poulenc, which is also state-controlled, and putting repre-sentatives of the French chemicals group on the board. If the Government gives its go-ahead for the transfer, the accords could be completed over the following few weeks.

Five co-operation areas have been discussed in frequent contacts over the past few weeks between the German and

The first is vaccines, where Institut Mérieux, a Rhône-Pou-lenc subsidiary, already works

with Hoechst's vaccine offshoot, Behring, on malaria research in Eureka, the European cross-frontier technology co-operation programme.

Another area of co-operation over the counter medicines, where the pair are studying using each others' distribution networks and conducting joint marketing

They are also considering co-operation in high-performance ceramics, environmen-tal protection — including the treatment of chemical waste and process control.

#### COMPANY NEWS IN BRIEF

THE public offering by the Dutch state of 26m shares in the newly-created Dutch banking group, NMB Postbank, has been 2½ times oversubscribed,

Reuter reports.

Private investors would be favoured in the share allocation, with applications for up to 50 shares allocated in full. Cuts in larger applications would be decided by each member of the banking syndicate individually.

■ SKF, the Swedish bearings group, has made a new, unspecified bid for McGill Manufacturing of the US, Reuter reports. McGill rejected an earher \$72 per share cash tender offer from SKF.

Merrill Lynch, the US broker, categorically denied reports it has acquired a 25 per cent stake in Feldmühle Nobel, AP-DJ reports. In response to comments by Veba's chairman,

Mr Klaus Piltz, Merrill also denied that it has offered any Feldmühle Nobel shares to Veba. The comments were carried in an AP-DJ story in Friday's International Edition of the Financial Times.

> ■ Sumitomo Life Insurance, Japan's third largest life insur-ance company in assets, will join a project to establish a new real estate investment firm in Europe, Reuter reports.

#### Sugar says **Amstrad** will not go private

By Michael Skapinker

MR ALAN Sugar, chairman of Amstrad, the UK electronics company, told shareholders yesterday that he did not intend to take the com-

pany private.

Less than two months ago,
Mr Sugar had threatened to reprivatise the company if the stock market did not give its abares a higher rating. He said then: "I see no

necessity for remaining in the firing line if we are not being thanked for it by any form of rating." Amstrad's shares closed at 43p yesterday, 5p up on the day. At their highest point last year they traded at 2841.

234<sup>1</sup>2p.
Addressing the company's annual general meeting yester-day, Mr Sugar was in far less combative mood. Asked whether he intended to emulate Mr Richard Branson, chairman of the Virgin Group, he said: "I'm not going up in a balloon, if that's what you mean." Mr Branson took his group private last year. Mr Sugar said that "con-trary to what people think, I and my directors can't com-

plain about being a public company." He said he had enjoyed being in the public arena when times were good, and he was prepared to stick with it when times were had. In the year to 30 June, Amstrad's pre-tax profits fell to £76.6m (\$120m), compared with £160.4m the previous year, on virtually unchanged revenues of £626.3m.

#### Thomson pays FFr920m for Axa warehouse

FRENCH insurer Groupe Axa has agreed to sell its warehouse and storage subsidiary Garonor to state-owned electronics group Thomson for FFr920m, the companies said in a joint statement.

the pieces in the new jigsaw. There are four very different parts to the puzzle.

MHO, which employs 6,500 people and boasts a turnover of Thomson's banking unit Societé de Banque Thomson, which recently merged with BFr96bn (\$2.64bn), is a specialstate banking group Crédit Lyonnais would buy Axa's 76.4 ist in complex metallurgy. It extracts and refines 22 differper cent stake in Garonor at FFr865 per share. ent metals ranging from copper and silver, where it is a

Tim Dickson on a big reorganisation of non-ferrous metals assets

La Générale irons out problems

■ Vicille-Montagne, one of the oldest names in the business, founded in Liege in 1837. Its basic business, responsible for about two-thirds of turnover, is the production and processing of zinc and its derivatives. A sign of the current health of the business lies in the turn-over figure of BFr32bn for the nine months ended September - against BFr36bn for the whole of the previous 12

■ Mechim, a small engineer-ing specialist set up to serve all the group's non-ferrous metals subsidiaries. Its latest annual turnover was BFr2bn and it employs 70 people.



Sogem, formerly known as Générale Trading, which has been recast after a period of heavy exceptional losses, to become the international commercial trading arm for nonferrous metals. These four businesses will be

welded into a single operating company, Acec-Union-Minière, through the mopping up by Acec-UM of most of the stakes La Générale does not already own. These are 24.7 per cent of MHO, 4.03 per cent of Vieille-Montagne and 1.67 per cent of Mechim. Sogem, in which Acec-UM has more than a 95 per cent controlling interest, will, for the moment at least,

will, for the moment at least, remain a separate company.

The terms of the share exchange — calculated at arm's length by Morgan Stanley and the UK metals specialist Brook Hunt — were sufficiently generous to buy the collaboration and support of the main minority stakeholder

European leader, to germanium and cobalt, where it is a world leader.

In MHO, the Antwerp-based investment group Belcoff, though in practice La Générale already had enough firepower to force through its plans.

The new Acec-UM will be 87.5 per cent owned by La Générale. It is projecting 1989 net profits attributable to La Génerale of BFr8.9bn, and puts its own funds at BFr34.7bn The ratio of own funds to long-term debt will be just less than 3:1, 2 level of gearing which Mr de Carmoy believes puts the

group in a strong position to carry out its investment plans. The key transformation will turn Union Minière from the largely passive holding com-pany, which the new La Générale management inherited, into a "hands on" operator with a



more coherent approach. (Union-Minière became Acec-Union Minière earlier this year when, for mainly tax reasons, Acec, an electrical engineering business, effected a reverse takeover of La Générale's nonferrous metals side).

perationally all Acec-UM's zinc activities — including Union Zinc and MHO's Overpelt business — have already been regrouped under one management in Vieille-Montagne, which remains a trading name and a division of the newly

integrated business.
Following extensive internal studies — with the aid of outside consultants — La Générale has also brought the errant trading arm, Sogem, effectively back into the new structure reporting to Mr Masson. The other key service activity, engi-neering, has for some time been redirected towards prob-

lem-solving for Acce-UM's own customers, rather than licen-sing its technology to outsid-

One of the major benefits, however, should be to harness batter the technical and commercial interdependence of Vieille-Montagne and MHO. These businesses under the old "Générale" were effectively left to pursue their own destinies, seldom collaborated, and they even competed against each

r Ferdinand Crabeels, chief executive of Vieille-Montagne, said: "By bringing the xinc businesses together and com-bining our investment policies we should be able to lower our break-even and avoid duplica-

"When MHO made a geo-graphical prospect their research capability was often only geared to copper," added Mr Masson. "Now we will take into account other metals and we won't be in the situation where they discover something

we can't process. There are few short-term problems, with metal prices at their present levels and the stock market apparently enamoured with the new approach. At last week's suspension price of just over BF15,000 La Générale's stake in non-ferrous met-als could be worth two to three

times its value 18 months ago. The long-term challenge, however, is that unlike its competitors Acec-UM has few mines of its own. In the case of zinc, for example, it remains dependent on others for 80 per

cent of its raw material.

The problem is less marked for MHO, though the market will always point to the 120,000 tonnes of blistered copper (40 per cent of total requirements) and 3,000 tonnes of cobalt sup-plied annually by the Zaire government-owned Gecamin. La Générale insists there is no special risk - these quanti-ties are the subject of a

long-term contract whose price is negotiated each year, most recently in October.

The new financial muscle which Account has acquired with the latest merger will be a big asset in the search for new mines, or participations in new mines. Acquiring them will be an important step if it is to enter the big league to which it

**NEW ISSUE** 

This announcement appears as a matter of record only.

NOVEMBER, 1989



# NIHON DORO KODAN

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U.S. \$154,700,000



# Philippine Long Distance Telephone Company

U.S. \$70,000,000 Project Financing

Provided by

International Finance Corporation

and through Participations in the IFC Loan by German banks led by

Kreditanstalt für Wiederaufbau (KfW)

U.S. \$56,700,000 Three Export Credits

Provided by

Kreditanstalt für Wiederaufbau (KfW)

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Hermes Kreditversicherungs AG, Germany Österreichische Kreditversicherungs AG, Austria Office National du Ducroire, Belgium

> U.S. \$18,000,000 Project Financing

Provided by CDC-Commonwealth Development Corporation

> U.S. \$10,000,000 Project Financing

Provided by

DEG-Deutsche Finanzierungsgesellschaft für Beteiligungen in Entwicklungsländern GmbH

International Finance Corporation served as financial coordinator for Philippine Long Distance Telephone Company in connection with this project.

November, 1989

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#### INTERNATIONAL COMPANIES AND FINANCE

# Wormald raises European National profile in DM140m deal

By Chris Sherwell in Sydney

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WORMALD International, the Australian-based fire protection group, is to buy West Germany's second largest fire protection company from the Krupp empire for DM140m (370m)

The purchase of Total Walther Feuerschutz (TWF), amounced yesterday, is Wormald's second significant acquisition in as many weeks.
At the end of last month it
announced the A\$57.5m (\$45m)
purchase locally of O'Donnell
Griffin, a fire and electrical company, from Australian National industries

The latest move will lift Wormald to top position in the West German market for installation of fire protection be."

Systems, with an estimated 35 to 40 per cent share. It is a for cash, coincides with the

By James Buchan in New York HEINZ, the US foods group, yesterday reported its usual

strong increase in earnings for the second quarter and suggested it was on target for

suggested it was on target for another record year. The Pittsburgh-based com-

pany, one of the most consistent and profitable in US industry, said its earnings in the three months to Nevember 1 rose 14 per cent to \$125.4m or

47 cents a share on the

strength of both higher prices

leader in Anstralia, France and the UK. company's one-for-five rights issue (including a free option) to raise A\$101.5m. The pro-

annual sales worldwide of DM370m, of which DM320m are in West Germany. It is involved in the installation of fixed fire protection systems and the manufacture of porta-ble fire extinguishers and sprinklers and Metz fire

sprinklers and Metz fire engines.

Mr Bob Mansfield, Wormald's managing director, said the acquisition was an important step in the group's European strategy ahead of 1992.

"Europe is where a lot of the action is going to be over the next few years," he said. "And Germany is where we want to be."

Further strong gains at Heinz

and increased volume. Sales revenues for the quar-

ter rose 7 per cent to \$1.53bn.

The company said that volume increased in tuna, frozen potatoes and Heinz's highly successful Weight Watchers frozen

For the first six months of

its 1989-90 business year, Heinz reported a 15 per cent increase

in earnings to \$2519m or 95 cents a share on a 6 per cent increase in sales to \$2.98bn.

Semi fights back to \$2.4m profit

By Louise Kehoe in San Francisco

ceeds, with some borrowing, are being used for the O'Don-nell Griffin and TWF acquist-NATIONAL Semiconductor. the California-based chip maker, has returned to profit-ability after five quarters of Wormald's controlling share-

> earnings of \$2.4m or 0 cents per share, compared with a net loss of \$25.2m or 27 cents per share in the second quarter of fiscal 1989. An operating loss of \$1.4m was offset by interest income and the reversal of

Wormald's controlling shareholder is AFP, the investment
group run by Mr Peter Scanlon, Mr John Gerahty and Mr
Basil Sellers. But day-to-day
running is in the hands of Mr
Mansfield, who has turned the
company from loss to profit by
making asset sales and concentrating on its core business.

AFP, which has its headquarters in Monaco, is registered in London and is listed in
Australia, acquired a 43 per 1989 restructuring charges. Sales for the second quarter were \$416.8m, up from \$404.6m from continuing operations in the same quarter

after Chase Corporation of New Zealand started to falter. a year ago.

For the first half, the group recorded a net loss of \$19.5m or 24 cents on sales of \$14.4m. This compares with a net loss of \$55.7m or 58 cents in the first half of 1989 on sales of \$849.5m.

Mr Charles E. Sporck,

National Semiconductor president and chief executive offiprofitability milestone which we set for ourselves earlier this year. We have made real progress in addressing inventory, capacity and other cost

cent.

Mr Anthony O'Reilly, chairman, said: "We are pleased with our year-to-date performance and we believe it provides the foundation for full-year growth which is consistent with our historical trend."

Heira has increased its earn-"We project flat performance for the semiconductor industry through the first half of calendar 1990. Over the past three quarters, National Semi-conductor has made progress in improving our perfor-

> Mr Sporck said the group was convinced this progress would continue. The third quarter, historically a difficult one, would present a strong challenge in continuing this

#### vision interests. Bond Media is due to pay Mr Packer A\$200m in February under the terms of C\$9.9m into the red

By Robert Gibbens in Montreal

MAGNA International Canada's largest independent car parts maker, suffered a loss of C\$9.9m (US\$8.53m) on sales of C\$460m in the first quarter ended October 31. A year earlier Magna earned C\$5.5m or 19 cents a share on

sales of C\$434m.

Mr Frank Stronach, chairman and major shareholder, told the annual meeting that Magna was fully committed to returning to profitability, but dend might be suspended tem-

Atlas Steels stainless and alloy steel manufacturing and dis-tribution business to South

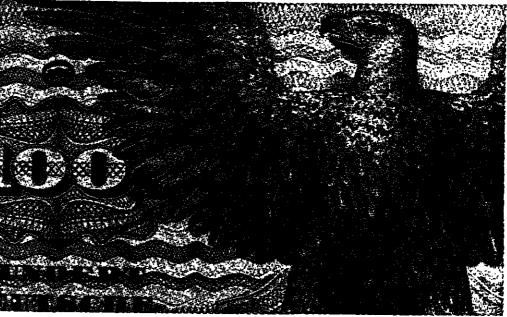
Atlas assets in Quebec and Ontario. The final price was to be subject to an accounting adjustment for the period Jannary 1 to July 31 1989. In a suit filed in Ontarlo

Supreme Court in Toronto, Rio Algom claims the balance sheet it submitted last October should determine the adjust-

ment and not Sammi's.

Several other issues are outstanding between the two companies, including the cost of environmental clean-ups at Atlas manufacturing sites at Welland, Ontario, and Tracy,

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# Bond acts to ward off Adsteam

By Chris Sherwell

Bond's besieged corporate empire despend yesterday as the Adelaide Steamship group pressed ahead with its applicapressed ahead with its applica-tion to have a receiver appointed at Bell Resources, the 58 per cent-owned subaid-iary of Bond Corporation.

The Western Australian Supreme Court, which is hear-ing the petition, decided yester-day there would be a hearing next Monday to consider a next Monday to consider a request by Bell Resources for an injunction deferring the

Adsteam action.
If this fails, the matter will go before a full hearing sched-

uled for January 3.
On a related move by Adsteam to put up five nomi-nees for appointment as direc-tors of Bell Resources, the court overruled Bond Corp's claim that the nominations were technically deficient. Bond sought a compromise with Adsteam over the week-end, but the names will now have to be considered.
In a related development, the

National Companies and Securities Commission (NCSC), Australia's stock market substantive submissions.

Mr John Spalvins, head of Adsteam, launched his actions last week in an attempt to protect the value of the group's 19.9 per cent holding in Bell

Resources. He is said to be par-ticularly angry about a contro-versial A\$1.2bn (US\$1bn) "deposit" made by Bell Resources to Bond Corp.

The deposit relates to Bell Resources' planned purchase of Bond Corp's brewing interests, a deal yet to be consummated. The latest attempt, involving Lion Nathan, the New Zealand brewer, was shelved last Friday. The Bond ampire's survival hinges on the sale going ahead.

The NCSC is investigating the deposit payment, along with other transactions involving the Bond empire, and this has provided a second important source of pressure on the whole group. The NCSC's view of the Adsteam petition for receivership of B is unknown.

Other sources of pressure emanate from Mr Bond's hank-ers, growing increasingly anxwatchdog, intervened in the court proceedings to ensure its ment of their loans, and from ages.

THE CRISIS over Mr Alan representation, but made no Bond's besieged corporate substantive submissions. Mr Kerry Packer, who has launched a 10 cents a share bid for Bond Media, which owns the group's Channel Nine teleits A\$1.05bn acquisition of his Channel Nine interests in 1987.

Australia, acquired a 43 per cent stake earlier this year

Volume growth was 5.2 per

Heinz has increased its earn-ings without a break for 25

years and has been widening its profit margins for more

Also fighting the Bond group, on two fronts, is the Western Australian state government. One front is through its State Government Insurance Commission (SGIC) over an indemnity from Bond guaranteeing A\$2.70 a share for its 20 per cent holding in the Bell Group, another Bond Corp subsidiary.

The SGIC is trying to sell its

holding. As Bell Group shares stood at just 38 cents last Fri-day, Bond faces an enormous hill under the indemnity. How-ever, Bond Corp is challenging the indemnity through the courts. It has also made its own offer for the holding. The second battle is over an

abortive petrochemical plant joint venture between the state This is now in liquidation, but Bond Corp is suing the govern-ment for some A\$225m in dam-

# Alliance ousts Amef president

By Sari Gilbert in Rome

THE ALLIANCE seeking to wrest control of the Mondadori publishing company from Mr Carlo De Benedetti, the Italian financier, yesterday ousted the De Benedetti-backed president of the board of Amef, the financial holding company that

owns 50.3 per cent of the com-pany's ordinary shares. In the latest round in the battle over Haly's largest pub-lishing group, the new anti-De Benedetti majority of ordinary shareholders — Mr Silvio Ber-lusconi and the Formenton and Mondadori families - voted to revoke all the powers of Amef president, Mr Vittorio Ripa di Meana, confirming a total break between the two sides.

Mr Ripa di Meana, who
refused to resign, had been
elected in 1988 after Mr De
Benedetti, then acting in con-

cert with the Formentons, won

By Hugh Carnegy in Jerusalem

AS A GROUP of Israeli bankers, their foreign counter-parts and senior executives from Koor Industries file into a meeting in London today to discuss the debt crisis facing

discuss the debt crisis facing

the big Israeli conglomerate, a powerful and depressing sense of déjà vu will accompany

Almost a year ago the same group was locked in negotiations to deliver Koor from a move, lodged in the Tel Aviv courts by Bankers Trust of New York, one of Koor's creditors to Hernideta the trade

tors, to liquidate the trade union-owned company after the emergence of huge losses which threatened its ability to service a debt, at that time, of

By last June a rescheduling

and restructuring deal had

been worked out - involving a \$100m write-off by Koor's

Israeli creditors and a pledge of

\$50m equity capital from the

Israeli Government – which led Bankers Trust to withdraw

Nobody thought Koor's trou-

ing director of Fininvest, Mr Berlusconi's holding company. The revocation of Mr Ripa di

that would effectively invali-

Gabriella Manfrin to declare Saturday's meeting null and void and announced they

bles were over. Three days later it announced 1988 net losses equivalent to more than \$200m. But the company seemed to have won a breath-

ing space in which to return to viability. Today, however, Mr Benja-

min Gaon, Koor's embattled chief executive, will again face

his main creditors with the threat of liquidation looming

like a ghost that defies exor-

cism.
This time it is the company itself which says its future is in doubt unless the banks come up with a further

write off of \$125m. It says that even after the write-offs and equity injection pledged in

June it cannot service its

remaining \$950m debt over the

next five years.

The main element which

hurled Koor back at the feet of

its creditors was an unforeseen

loss in its main subsidiary, Tadiran, which has led to fore-

casts of a group loss of \$165m

this year. Koor has warned

that without the write-off it is

porarily next year.

The group plans to sell property and other non-core assets and to rationalise its manufac-

turing network. Long-term debt was nearly C\$600m at July 31, and capital spending plus investment in joint ventures will decline from C\$220m

this year to C\$125m in each of fiscal 1991 and 1992.

Rio Algom, the uranium mining arm of Britain's RTZ group, is claiming an additional C\$27m for the sale of its

Korea's Sammi Steel. Sammi paid C\$250m for the

#### ELECTRONIC **PAYMENT** SYSTEMS

The Financial Times proposes to publish this

23rd January 1990

For a full editorial synopsis and advertisemen details, please contact;

> Meyrick Simmonds on 01-873 4540

or write to him at:

Southwark Bridge London SE1 9HL

FINANCIAL TIMES

#### **LEGAL NOTICES**

FIRST MORTGAGES SECURITIES LIMITED

NOTICE is hereby given in eccordance with Section 175 of the companies Act 1985 that at an Extraordinary General Meeting of the above Company held on 8th December, 1982, a Special Resolution was passed authorising a payment out of capital of the Company in respect of redesciption by the Company of its own shares. The amount of the permissible created negative learning parameter was 5 the con-

The Statutary Declaration and Auditor's Report required by Section 173 of the Companies Act 1985 are available for inspection at 1 Lancaster Place, London WCSE 72B, the stered cifics of the Con

waters the five weeks immediately following the date of the aforementioned special reso-lution apply to the High Court under Section 1756 of the Companies Act 1965 for an Order prohibiting the payment.

#### WARF INTS to subscribe for shares of Common Stock of RENOWN INCORPORATED

U.S. \$130,000,000 4½ per cent. Guaranteed Bonds Due 1991 with Warrants

Pursuant to Clause 4 (A) of the Instrument dated March 24, 1986, under which U.S. \$130,000,000 44% Guaranteed Bonds Due 1991 with Warrants were issued, you are hereby notified that a free distribution of Shares of our Company at the rate of 0.2 Share to 10 shares (2 percent ratio) will be made to Shareholders of record as of December 31, 1989.

As a result of such distribution, the Subscription Price at which Shares are insurable none expersive of the Warrants will be

As result of such distribution, die Subset plant Field which shares are issuable upon excercise of the Warrants will be adjusted pursuant to Condition 7 of the Warrants from ¥734.70 Japanese Yen to ¥720.30 Japanese Yen for U. S. \$130,000,000 44% Guaranteed Bonds Due 1991 with Warrants effective as of January 1, 1990 (Japan Time).

Dated: December 12, 1989

RENOWN INCORPORATED

# RENOWN INCORPORATED

U.S. \$35,000,000 5½ per cent. Convertible Bonds Due 1996 NOTICE OF FREE DISTRIBUTION OF SHARES

Pursuant to Clause 7 (B) of the Trust Deed dated December 17, 1981, under which the above described Bonds were issued, you are hereby notified that a free distribution of Shares of our Company

at the rate of 0.2 Share to 10 shares (2 percent ratio) will be made to Shareholders of record as of December 31, 1989.

As a result of such distribution, the Conversion Price at which Shares are issuable upon conversion of said Bonds will be adjusted pursuant to Condition 5 (C) of the Bonds from ¥769.10 Japanese Yen to ¥754.00 Japanese Yen effective as of January 1, 1990 (Japan

Dated: December 12, 1989

RENOWN INCORPORATED

#### U.S. \$100,000,000



#### Allied Irish Banks plc

Floating Rate Notes Due 1995 Subordinated as to payment of principal and interest

Interest Rate

87/16% per annum

Interest Period

12th December 1989

Interest Amount per U.S. \$10,000 Note due 12th June 1990

U.S. \$426.56

Credit Suisse First Boston Limited

#### US. \$600,000,000



#### Malaysia

Floating Rate Notes Due 2009 87/16% per annum

Interest Period

12th December 1989 12th June 1990

Interest Amount per U.S. \$10,000 Note due 12th June 1990 U.S. \$426.56 Credit Suisse First Boston Limited

Agent Bank

#### US. \$100,000,000



#### **Great Western Financial** Corporation

Floating Rate Notes Due 1995

Interest Rate Interest Period

12th March 1990

85/8% per annum 11th December 1989 12th March 1990

Interest Amount per U.S. \$50,000 Note due

U.S. \$1,090.10

Credit Suisse First Boston Limited Agent Bank

Meana's powers was the first direct response by the anti-De Benedetti group to Saturday's decision by a Mondadori board meeting attended only by De Benedetti allies to defy a judi-del interestion and schedule are cial injunction and schedule an extraordinary meeting. The board is seeking a L320bn (\$245m) capital increase

date Amet's absolute majority inside Mondadori. Earlier in the day lawyers for Fininvest, Formenton and Mondadori asked Judge

later than January 15 both an ordinary shareholders' meeting to elect a new board, and a special ordinary shareholders' assembly to ratify Mr Ripa di Meana's removal and discuss the proposed capital increase.

Together Fininvest and the Formenton and Mondadori families control about 60 per cent of Amer's capital. Amer

control of Mondadori. In his place the board elected Mr Fedelle Confalonieri, Amef's vice-president and the managing director of Fininvest, Mr

sides for tomorrow.

Amer's Berlusconi-led alli-

ance also voted to ask the Mon-dadori board to schedule by no

owns no privileged shares however, while Mr De Bene detti's 42 per cent of all Monda-

dori capital means that in extraordinary meetings they

requesting, it will be in breach

requesting, it will be in breach of debt/equity requirements attached to \$135m of bonds issued in the US and Israel.

This week Koor wrote to its shareholder, the Histadrut trade union federation, and Mr Shimon Peres, the Finance Minister, saying, in effect, that the enterprise, Israel's largest industrial group which employs about 22,000 people, would fall apart if it did not receive the help it was seeking.

receive the help it was seeking.
Israeli and foreign creditors
have reacted to all this with

distinct unease. The group of foreign banks, headed by Man-

ufacturers Hanover of New York, have made clear they do not like the idea of write-offs.

Bankers Trust has even

declined to attend today's

Having secured the right of "first out" in the June agree-

ment, the foreign creditors,

who hold about 15 per cent of Koor's debt, are reluctant to renegotiate the rescheduling

The Israeli banks want to do

Debt wrangle at Koor has touch of déjà vu just that, however, and an acrimonious wrangle between them is in prospect. Where both sets of creditors do agree is in their scepticism over the

figures presented them by They suspect the cash flow "hole" at Koor may be much greater than \$125m, partly because they fear Koor has overestimated the sums it can raise from selling Tadiran which it now intends to do

They also appear to agree that the banks alone should not carry the whole burden of Koor's difficulties; bond holders are likely to be called on to share any write-off. The Government and the Histadrut will also be called on to play a part. Mr Gaon's chief solace is that liquidation is a highly complex option which may not serve the interests of any of

the parties. But his demand for the issue to be resolved by the end of the looks hopelessly optimis-

Any preditor of the Company may at any time within the five weeks immediately following

NOTICE OF FREE DISTRIBUTION OF SHARES AND
ADJUSTMENT OF SUBSCRIPTION PRICE

# To the Holders of

AND
ADJUSTMENT OF CONVERSION PRICE

# US and Netherlands sign securities fraud accord

THE IIS and the Netherlands signed a landmark accord yes-terday to combat securities fraud, a move expected to fos-ter greater international co-operation in regulating capital

Mr Richard Breeden, chairman of the US Securities and Exchange Commission, and Mr Wim Kok, the Dutch Finance Minister, signed the agreement obliging them to provide mutual assistance and informa-tion in investigating securities fraud such as insider trading, market manipulation and mis-leading financial data.

Mr Breeden said the agreement was a "milestone" and the "most comprehensive agreement on securities co-operation that the US has entered into." Crucially, the US, with some of the most stringent securities laws in the world, will be able to demand documents and testimony from the Netherlands that would otherwise be impossible to glean under the more lax Dutch

Mr Breeden, who also is head of the International Organisation of Securities
Commissions, will sign a similar pact with the French
authorities on Thursday. Negotiations are under way with
another half dozen countries to
forge bilateral accords.

The SEC is also considering
ways to facilitate sales by for-

ways to facilitate sales by for-eign issuers to US institutional investors and to recognise for-eign regulation of broker-dealers and foreign disclosure

The US-Dutch accord will test how far simple exchanges of information can bridge the wide gaps between levels of securities supervision in various countries. The Dutch only banned inside trading less than a year ago.
All government resources,

not just securities regulatory bodies, will be available to the two countries under the accord. But the Dutch Securities Supervision Foundation has often been criticised for lacking sufficient staff and

expertise. While the SEC has subposna and other investigatory powers backed up by 2,200 employees, the Dutch unit is a self-regulatory board with no powers to rize documents or interrogate. seize documents or interroga It employs only five people.

# Aurora displays UK prototype

THE Chicago Board of Trade's screen trading system, Aurora, made its debut in London this week as the futures exchange displayed its prototype version for UK members.

Aurora is similar to the Automated Pit Trading system that started up at the London International Financial Futures Exchange at the end of November. It attempts to reproduce the dynamics of open-outcry pit trading on

The CBT, which has spent far more money on its system than Liffe, plans to have a pilot project for Aurora running sometime next year. But the exchange is cur-

rently involved in talks with the rival Chicago Mercantile Exchange on combining the system with the CME's Globex order-matching system.

like Aurora and APT are designed to be used by professional traders with well-established trading skills. In contrast, Globex will be a system which matches orders and does not show actual trading on screen.

Aurora goes even further towards making screen trading attractive for its local, independent traders, who trade for their own account. It will give priority to the trader who tightens the bid-of-

fer range, no matter how many contracts he is tendering.

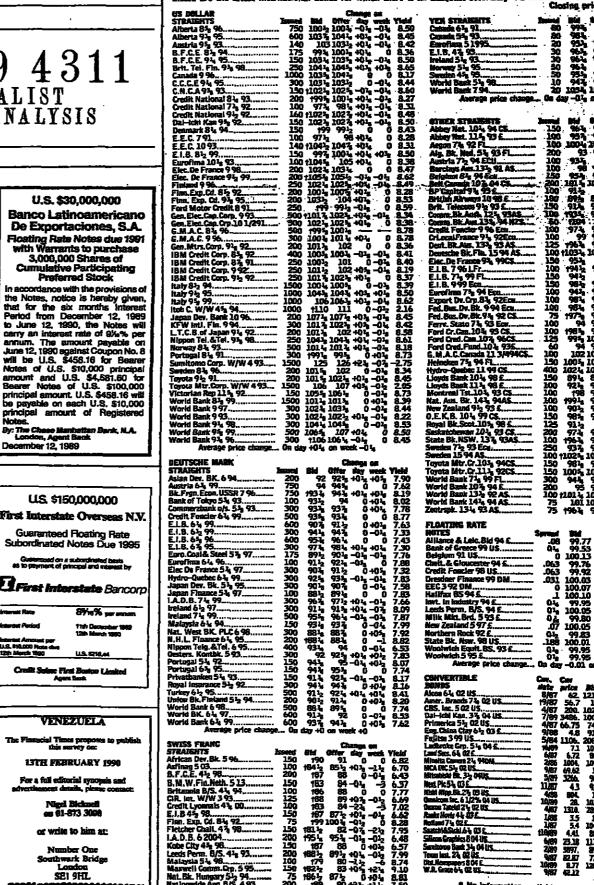
The system displays only the
best bids and offers, whereas

APT displays all.

The CBT plans eventually to link Aurora with its electronic order-routing system, Eos, which is currently operating as a pilot project during the exchange's evening trading session. Eos will be extended to daytime trading pext

The futures industry is currently concentrating on electronic trading systems which will lengthen the trading day. As yet there are no plans to replace open-outery with a

FT INTERNATIONAL BOND SERVICE



The prices over the gast week were supplied by: Sankers Trest International; Krediethank N.V.; Commerc Landsbank Girozentrale: Bank Generale de Losembourg SA; Bank International; Losembourg: Kredieth NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tolyo International; International; Robert Floraming & Co; Goldman Sachs International Corporation; Lynch; Morgan Stantey International; Robert Floraming & Co; Goldman Sachs International Corporation; Lynch; Morgan Stantey International; Nikloo Securities Company (Europe); Nomura International; San Societa Generale Strauss Tumboli; Sales Sacht Generale Straus Strauberg Sacht Generale Straus Strauberg Sacht Generale Straus Sacht Generale Straus Strauberg Sacht Generale Generale Sacht Generale Generale Generale Generale Generale Generale Generale Generale Gene

The table below gives the latest available rates of exchange (counded) against four key currencies on Monday December 11,1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied. บร ร D-MARK 301.8244 7.6310 1.7662 1.7662 299.4841 0.6291 161.3715 6.8622 2.6926 6.0364 (Kwanza) (E Carr \$) 4920.4466 154.2938 3.6181 (Rhal) 5.7510 37.05% 37.1500 35.2341 9.3677 1013.1077 39.9287 0.1753 0.3789 1.1148 738.2902 (B S) (CFA Fr) ermedian S) (Nguitrum) (Bollylano) (Pula) (Cruzado) IS (US S) . 301.8244 207,0413 0.6925 11,4596 2,0253 1,3137 5,5970 1,5356 0,5814 209,0413 209,0413 103,8910 103,8910 103,8910 117,1003 209,041 6.3579 144.3850 0.6663 2.5906 1.4667 3.9048 2.2107 114.2812 64.7016 114.2812 39.6980 11.4061 1.7784 2.5906 6.3431 1.5964 21 (New Kip) 923.30 (Lebangse D 727.2b (Mainti) 4.1178 (Libyan Dinari 0.4715 ele (Swiss Fr) 2.5375 Vannata Vatican Ventzuela Vietnam Virgin Is-Bri Virgin Is-US A Rand) 4.1178
rallan S 2.0260
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(Krone) 10.75 2.5906 1.2746 23.9124 1.9927 1.8000 1.6816 21286.5 301.824 7.4726 6.7631 (S A Rand) ustrallan Si ilese Rupee) (Guilder) (A/Guilder) (NZ S) 1.3036 1.5947 Western Samos (Tala) 3.6600 0.3825 0.2165

Abbreviations: (a) Free rate; (b) Bankmote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (l) Non commercial rate; (p) preferential rate; (p) convertible rate; (r) parallel rate; (s) Selling rate; (l) Tourist rate; (w) Conserved Conserved

THE CREDIT RISK MANAGERS



U.S. \$30,000,000

U.S. \$150,000,000

Guaranteed Floating Rate Subordinated Notes Due 1995

13TH FEBRUARY 1998

**FINANCIAL TIMES** 

rrants to purchase

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£100,000,000 PRUDENTIAL Crash worthiness researchers unanimous

# Saab safest

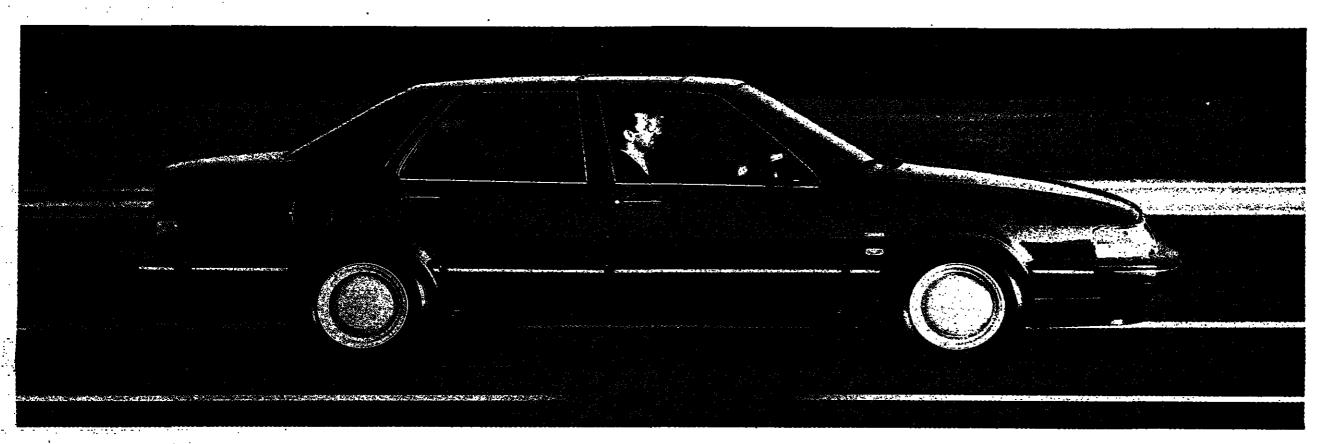
What researchers don't tell you.

How Saab helps you avoid accidents.

Magnus Roland, Saab chassis designer, has this to say:

"When designing a Saab, the first safety priority is to help the driver avoid danger. You've got to be one step ahead of events to prevent accidents. The car has to be capable of showing its feelings and 'sense' what the driver wants.

In a potentially dangerous situation, Saabs act in a simple, predictable way to help the driver steer clear of trouble.



Two independent research groups have released data on almost 7 million car accidents in the U.S. and Sweden. Both reached the same conclusion: the Saab 9000 is the safest car.

Saab is twice as safe as the average car in its size class (one that includes the BMW 500 series, the Volvo 7 series and the Lincoln Mark VII). This is the result of a study of 6 million accidents in the U.S. made by the HLDI, Highway Loss Data Institute.

Highway Loss Data Institute. Sweden's largest automotive insurance company, Folksam, studied the results of 900,000 car accidents. They rate Saab more than 30% better than its nearest rival, which is itself considered a very safe car.

Folksam safety researcher, Dr. Claes Tingvall, comments:

"If people were aware of the huge differences in car safety, proven crash worthiness would be a major aspect in their choice of car." In an accident, 'passive' safety features (crumplezones, safety cages, safety belts, belt tensioners) come into play to reduce the consequences."

German car magazine auto, motor und sport wrote:

"In snowstorms at the Arctic circle, in rush-hour chaos or at full throttle on the autobahn, this car inspires confidence, and creates a feeling of security and safety".

Are they right? Can you feel the safety in a Saab?

Find out for yourself by test driving a Saab at your nearest dealer. They will fill you in on the details.



# Japan takes tough line on equity warrants | Treasuries trade quietly

Stefan Wagstyl on MoF moves to rein back the rapid growth of US-dollar warrants

fficials at the Japanese Ministry of Finance said yesterday that investor protection was the prime motive behind plans for tightening the rules governing the fast-growing and highlyprofitable market in US-dollardenominated Japanese equity

They acknowledged they were also keen to exert more control over the activities and profits of brokers in a virtually unregulated market, which started life in London but which relies almost entirely on Japanese borrowers and lenders. "It's a wild and open mar-ket," said one foreign broker in Tokyo.

The authorities' main target is the Big Four Japanese secu-rities houses - Nomura, Daiwa, Nikko and Yamaichi which together made almost \$1bn from warrants in the six months to September, double earnings from the same period last year. The foundation of business – carried out in Lon-don because foreign-currency warrant issues are banned in

An increasing proportion of the profits, more than half for the Big Four, is made in secondary trading. The growing army of warrant investors includes more and more Japanese private individuals -whom, the ministry believes, are often victims of the brokers' over-aggressive sales tac-

Equity warrants give the holder the right to buy stock in a company at a set price. The

from the hond and traded sepa-

Japanese companies have issued huge amounts of warrants in the last few years because these instruments are a relatively cheap source of

Over \$55bn of dollar-denominated warrant-bond issues have been made this year, exceeding by far 1988's total of \$28bn. The Big Four Japanese securities houses have grabbed a 97 per cent share of the primary business

The core of the primary and secondary market is in Lon-don, but a fast-expanding share of secondary trading is carried out in Tokyo. The Big Four alone handle an estimated 72,000tn (\$13.87bn) of secondary trading a month, double the figure for a year ago, making warrants the third largest financial market after equities and convertible bonds.

ews of the finance min-istry's study last week understandably pro-voked fears in London that the MoF was seeking to pull the warrant market to Tokyo at the expense of the Londonbased Euromarkets, where the warrants are issued.

Brokers in London are par-ticularly worried by news that the MoF was actively considering requiring new warrants to be listed on the Tokyo Stock Exchange. This would remove the ban in Tokyo on issues of foreign-currency denominated

Ministry officials said compulsory listing was just one of a range of options under consideration, though. It was too

Dollar equity warrant issues (\$bn) the ministry.

Source: Euromaney Bondanee soon to say when any measures would be enacted, but the officials said something had to be done quickly because the market was expanding at

1985 86 87 88 89

such a fast pace. Executives at Japanese securities companies yesterday were anxious to play down the importance of the ministry's move. The plan was in its earliest stages, said one. The technical problems connected with listing warrants would be complex, said another.

Nevertheless, larger Japa-nese brokers are sufficiently worried to have started orchestrating opposition.

They are anxious to defend the huge profits they have made from warrants trading. Nomura alone made Y73.8bn from warrants in the six months to September, an increase of 89 per cent from the preceding term.

Japanese securities compa-nies either believe or hope that the ministry is sabre-rattling

to come up with substantial measures of their own to improve market transparency, or suffer the consequences.

A Nomura official said: There's no concrete plan. This is a balloon being floated by

There are good reasons for the ministry to be concerned about the private investor. One Japanese securities company executive estimated individuals accounted for 30 per cent of the secondary market.

Ignorance about warrants is so great that stories abound of customers walking into brokers' offices asking to buy shares in "Warrant Company Limited."

Investors are often unaware of the dangers inherent in the volatility of warrants, prices of which have been rising this year supported by the general steady upward climb of Japanese stocks.

A sudden fall in equities

could produce a savage decline in warrant prices.

Moreover, price spreads are
wide - 7 per cent is not
unusual - to the benefit of the broker and the disadvantage of

the customer.
Institutional investors can often find the best deal by call-ing several brokers, but individuals rarely do this. Many individual customers wrongly think they have to sell a war-rant back to the stockbroker who sold it to them - a belief which further enhances the broker's grip on customers. In response to growing pres-sures from the MoF, leading stockbrokers have taken steps

to make the market more

transparent. In February the

Japan Securities Dealers Association launched an interdealer market and started publishing closing prices.
Thirty-eight brokers, includ-

ing several foreign companies, now quote daily closing prices on a screen-based system, which clients are free to consult. The association also publishes brokers' average buying and selling prices.

isting dollar-warrants would be the most drastic step the ministry could take - but not as difficult as the brokers suggest, given that yen-denominated warrants (albeit only five) are already listed on the TSE. Japanese brokers realise that

they cannot expect to continue making hay in warrants for ever, although they will not admit it publicly. The minis-try's concern about private investors is now so apparent that the brokers cannot ignore it. At the same time the ministry will not press too hard, for that would simply kill the mar-ket in Tokyo and lead to more secondary trading overseas in Hong Kong for example.

The result is likely to be a compromise. Perhaps the brokers would accept more supervision in return for the free dom to issue in both London and Tokyo.

If the costs of doing business in the two centres were approximately equal, the market would become increasingly focused on Tokyo, which is its natural home. But it would be in the interest of brokers -Japanese and foreign - to make sure that happens gradu-

# in absence of Fed moves

By Janet Bush in New York and Deborah Hargreaves in London

TREASURY bonds continued to languish in a narrow trading range at midses-sion yesterday as the US Fed-eral Reserve failed to signal an easing in monetary policy. At midsession, the Treasury's benchmark long bond was quoted it point lower for a yield of 7.88 per cent, while

short-dated maturities were

mostly unchanged. The minimal price erosion represented a fairly resilient performance considering price gains on Friday, partly on hopes that evidence of weakness in manfacturing evident in November's employment release would induce a lower ing in the Fed funds target from the current 8% per cent. Fed funds opened at 8% per cent and remained at this level

throughout the morning. ■THE UK gilts market powered ahead late yesterday as sterling gathered strength. Traders were encouraged by

		Coupon	Red	Price	Change	Yield	Week ago	Monti
UK GILTE	5	13,500 9,750 9,000	9/92 1/90 10/08	103-19 94-05 93-06	+4/32 +8/32 +14/32	11.92 10.84 9.80	12.04 10.98 10.01	11.49 10.62 9.70
US TREA	SURY *	7.785 8.125	11/99 8/19	100-10 102-22	-1/32 -1/32	7.87 7.89	7,89 7.89	7.97 7.89
JAPAN	No 111 No 2	4.800 5.700	8/99 3/07	96.9439 102.0431	-0.502 -0.273	5.43 5.47	5.57 6.51	5.45 5.40
GERMAN	Y	7.000	8/99	98.1500	-0.050	7,26	7.25	7.23
FRANCE	BTAN OAT	8.000 8.125	10/94	94,1080 94,2000	-0.105 -0.150	9.56 9.05	9.56 9.05	9.42 8.97
CANADA	•	9.250	12/92	97,8900	+0.502	9.50	9.68	9.42
NETHERL	ANDS	7,250	7/99	96.6200	-0.040	7.76	7.74	7.60
AUSTRAL	JA.	12.000	7/99	94.2937	+0.437	15.06	13.07	13.20

retail sales and producer price figures that pointed to a less bleak outlook for inflation than they were anticipating. With retail sales down by 0.8

ducer prices up, but by less than the market expected, the sury's benchmark 11% per cent long bond due 2007 rose by 1/2 a point to

Technical Date/ATLAS Price So.

NE	W INTE	RNATIC	NAL	BOND	ISSU	<b>ES</b>
Borrower US DOLLARS	Amount m.	Совров %	Price	Makerity	Fees	Book runner
MSE Finance(a) Polity Pack Int. Fig. Passe undate:	20 110	(d) (a)	102 100	2000 2005	5/4 ኒ <sup>3</sup> 34 ታ	Mitsubishi Finance int. Sinerson Lehman Huttor
ishlikawajima-Harima∳∳	500	212	. 100·	1993	2411/2	Yansaichi Int.
D-MARKS						
Dreedner Finance Issue undate:	1bn	(e)	100.05	2000	ha	Dreadner Benk
Dynic Corp ••	100	15	100	1993	24/13	
Sumitomo Construction	150 500	15 <u>.</u> 815	100 100.10	1993 1989	24/12	Westi,B Trinkeus, & Burkhurdt
.KB Baden-Wuerttemberg†◆ ECUs		···				
Council of Europe	75	94	101 🐔	1995	15/14	Morgan Stanley
FRENCH FRANCS						
interfinance Credit Nat.	600	10 <sup>3</sup> 4	100.80	1991	32/3	Credit Lyonneis
Toyota-Tiusho Fin, int.(b)◆	2.5hn	(b)	100%	1990	3/12	Ryoko Securities Int.
Toyota-Tiusho Fin. IπL(c) ♦	1.5bn	(c)	100%	1990	4/2	Ryoko Securities Int.
Shopbank •	6.7bn	7	1014	1990	15/5	New Japan Securities
lelaba Finance 🏟	10ba	6.15	101,325	1993	15/5	EDJ Int.

per cent in November and pro-

#### Salomon doubles base in sterling

By Rachel Johnson

SALOMON Brothers, the US investment bank, is almost doubling its capital base in the sterling fixed-income markets from £35m to £63m, it announced yesterday.

There has been rapid growth recent years. Issuance in the quickest-expanding sector, Eurosterling issues, has leapt from £70m in 1980 to £16.4bn this year, accounting for more than half the market.

government bonds - gilts - issued by the Bank of England, and their derivative products, such as sterling-denominated

swaps and futures.

A plethora of such products is appended to the gitts market, which has been shrinking in recent years as a result of the budget surplus. This has meant the market has become meant the market has become more concentrated on derivatives and other non-gilt bonds.

Salomon's enlarged commitment is designed to support at the London operations of

both the cash market in UK Société Générale, the big French bank, has resulted in market making in German stocks passing from the group's merchant bank to its securities arm, Strauss Turn-

> This is part of the bank's move to rationalise the two subsidiaries, although it has stopped short of wholesale restructuring.
> London has 19 market-mak-

the last week of November. ers in German stocks, with an average of 17 quoting firm prices in each stock. "We are pleased to see that the New Zealand futures mar-

#### Bain Refco buys FE seat

BAIN REFCO the futures arm of Australian investment bank Bain & Co and Refco of the US, has bought DFC New Zealand's seat on the New Zealand Futures Exchange.

The seat is the first asset disposal by DFC since the investment bank failed this year. The sale was initially approved by the Futures Exchange in November, but Bain Refco delayed its purchase decision after an upheaval in futures trading in

tled after the recent suspension of trading on the five-year bond futures contract," Bain Refco said. While volumes on the

Futures Exchange appear to have returned to normal levels, there are still some concerns to be addressed in the market,

said Bain Refco.

Bain & Co is 50 per cent
owned by Deutsche Bank. There are 17 members of the Zealand Futures Exchange, each membership corresponding to a shareholding in the exchange company.

# Dresdner brings DM1bn FRN

EUROBOND markets started the week in quiet fashion, with a run of mainly targeted new issues competing for syndicate managers' attention, Andrew Secondary markets were dull

THE London Traded Options Market started the week quietly ahead of the issunch of two water

contracts this morning.Trading

Dec 2,300 puts at 15 and bought 450 Feb 2,300 puts at 55. She-phards sold 500 Dec 2,300 and

of which 14,665 were calls and puts. The most active BT series 8,813 were puts.

puts. The most active BT series was the the May 300 calls with 925 contracts traded. Business

The FT-SE index options con-tributed 5,073 of the contracts where Citicorp crossed 500 con-

traded with 2,526 calls and 2,547 tracts.

puts. These included a "timespread" by Barings which sold 450 active stock contract. It finished

the FT-SE at 2,351.4 at the close yesterday, represents a bearish "bullspread." James Capel sold 200 Dec 2,350 FT-SE cails. The Dec 2,300 puts were the most

Dresdner Bank brought a DMIbn floating-rate note issue for its own finance subsidiary. The 10-year notes carried a coupon of six-month Libor

**LONDON TRADED OPTIONS** 

popular FT-SE contracts. 764

were traded.
The top individual stock was BT with 1,503 contracts traded, of

the day with a total of 1,377, of which 886 were calls and 497 puts, the busiest contract was the March 300 calls with 501 chang-

and traders said they expect flat, and will be fixed on Janubusiness to remain torpid. ary 9. Dresdner was quoting the paper just inside fees at 99.85 bid, and said there was reason-able bank demand in Germany, Switzerland and the UK.

Amstrad, which had an AGM yesterday and benefited in the underlying market from a BZW

accounted for 303 of the 326 Amstrad puts traded and there were 746 calls for a total of 1,072

contracts.

British Gas traded 920 contracts, 720 calls and 200 puts with the March 220 most in demand.

Other popular stock options were Beecham, 882 contracts traded, Lasmo, 733 contracts, and Han-

Other big trades in the market included 400 Jan 110 calls in Asda bought by Capel at 6 and 500 May 45 Ferranti calls bought by FiL for 7.

were traded.

#### **LONDON MARKET STATISTICS**

RISES AND FALLS YESTERDAY

#### FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times. the institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS	1	Monday	Dece	nber 1	1 1 <del>9</del> 8	9	Fri Dec 8	The Dec 7	Wed Dec	Year ago (agorts
& SUB-SECTIONS	,	<u> </u>	Est. Earnings	Grass Div.	Est. P/E		<del>                                     </del>	H	<u>                                     </u>	- Capping
Figures in parentheses show num stocks per section	ber of lader No.	Day's Change %	Yield% (Max.)	Yield% (Act at (25%)	Ratio (Net)	nd adj. 1989 to date	ledex No.	Index No.	ladex No.	index No.
1 CAPITAL G000S (205)	902.08	+9.3	12.59	4.74	9,74	30.71	899.81	895.12	878.98	749.9
2 Building Materials (28)		-8.8	14.53	5.22	8.58	46.71	1091.53	1053.89	1895.52	982.5
3 Contracting, Construction (37) 4 Electricals (10)		+0.1	16.98	5.31	7.73	56.19	1460.52			1492.5
4 Electricals (10)	2598.80	+0.7	10.51	4.79	11.96	84.46				
5 Electronics (30)		+0.9	9.55	3.77	13.47	52.19	1907.74			
6 Mechanical Engineering (53) .	478.44	+0.3	12.29	4.87	9.91	16.44	469.09	461.59	461.87	392.0
8 Metals and Metal Forming (6)	460.95	-8.7	25.58	6.49	4.41	23.62		462.74		445.4
7  INI COM 3 / T 1 /	373.69	+9.7	10.85	4.67	10.87	11.84	371.94			254.8
10 Other Industrial Materials (24			9.61	4.37	12.27	55.27	1723.26			1284.7
21 CONSUMER GROUP (185)		] -0.6	8.66	3.49	14,49	33.79		1111.28	1317.01	993.0
22 Brewers and Distiflers (23) 25 Food Manufacturing (20)		-0.9	9.47	3.46	1377	36.48	1515.22	1501.37	1491.03	1101.9
25 Food Manufacturing (20) 26 Food Retailing (15)		-9.2 -1.8	9.24 9.28	3.85 3.14	13.56	31.69				893.1
27 Health and Household (14)	2307.33 2706 AE	+0.1	9.26 5.84	1.92	14.37 28.38	52.84 44.95	2551.52 2781.37	2337.93 2497.26		1758.1
29  Leisure (35)	1496 27	-0.3	8.04	3.59	25.38 15.31			1630.75		
31 Packaging & Paper (14)	54E 22	753	12.68	5.29	19.37	18.37	545.86	542.84		499.9
31 Packaging & Paper (14) 32 Publishing & Printing (18)	2764 OF	-43	8.36	4.68	15.47		3763.37	3763.88		
34 Stores (32)		12	11.18	4.75	11.45	25.98		798.94		568.7
35  Textiles (14)	527 58	-0.5	10.89	5.63	11.14	22.08	530.23	527.53		449.7
35 Textiles (14)	1168.58	-1.0	10.34	4.47	11.71	39.90		1172.48		872.9
41 Agencies (17)	1579.77	-1.4	6.68	2.32	18.37		1593.12			994.9
42   Chemicals (22)	1212.85	-0.4	12.50	5.27	9.41	47.73	1218.14	1716.52	1220.84	994.5
42 Chemicals (22)	1643.67	-1.6	10.74	5.25	10.96	68.01	1673.85	1683.90		1209.4
45 Transport (13)	2264,47	-0.7	10.52	4.24	12.12	68.85			2290.56	1811.6
47 Telephone Networks (2)	1179.15	-1.5	10.77	4.35	12,07	38.54	1196.81	1159.38	1154,60	988.7
48 Miscellaneous (27)			9.14	4.28	12.34	65.42	1923.17	1927.62	1928.85	1150.9
49 INDUSTRIAL GROUP (485)		-4.5	19.12	4.08	12.18	35.72	1183.90	1178.29	1181.15	916.7
51 OII & Gas (15)			9.69	4.81	14.54	96.43	2483.49	2354.52	2347.65	1728.5
59 500 SHARE INDEX (500)	1278.55	-8.5	9.97	4.19	12.48	49.70	1285.61	1276.50	1278.69	979.9
61 FINANCIAL GROUP (129)		+0.1	l - i	5.12	-	30.41	827.35	828,89	834.87	662.5
62  Banks (9)			28.28	5.91	6.48	36.37	846.39	848.31	853.04	654.4
65 Insurance (Life) (7)		+8.4	[ <b>-</b>	4.76	-	47.56	1389.07	1388.98	1489.82	913.7
66 Insurance (Composite) (7)		+0.1	<b>! -</b> .!	5.34	-	28.34		765.14	714.39	598.0
67 Insurance (Brokers) (7)	1140.40	+0.2	6.61	5.51	20.15		1137.75	1138.45	1153.63	875.3
68 Merchant Banks (11)				3.63	i	11.59	473.56	466.65	465.01	310.5
69 Property (49)	1207.87	-1.2	7.57	3.54	16.73	30.32	1221.94	1227.68	1241.13	1200.0
70 Other Financial (30)		-0.2	12.40	6.56	10.57	15.82	339.58	329.38	328.47	344.2
71 Investment Trusts (69)		-0.2	l <u></u>	2.72		25.23	1208.26	1283.55	1283.00	982.5
81 Mining Finance (1)		+0.9	20.30	3.65	22.23	22.25	732.66	712.13	797.00	548.6
91 Overseas Traders (7)		+0.1	8.99	5.26	12,75	60.11	1535.78	1517.63	2515.38	1260.7
99 ALL-SHARE INDEX (697)	1172.04	-8.4		4.29		37.79	1176.92	1169.83	1172.69	901.7
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TRADITIONAL OPTIONS

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Dec 15 Calls in: Amstrad, Tusker, Leisure
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#### **UK COMPANY NEWS**

# US buy helps Carlton vault to £112m | 3i Group

CARLTON Communications, the rapidly-expanding video and television services company, more than doubled pretax profits from £49.13m to £112.39m in the year to Septem-

The figures included a 50week contribution from Technicolor, the US film processing and video duplication concern for which Cariton last September paid \$780m, and a threemonth contribution from UEL the digital processing and engineering group which Carlton bought in May for £490m.

Boosted by these acquisitions, turnover increased to

£577.63m (£217.42m). Earnings

per share rose 30 per cent to 53.2p.
Mr Michael Green, chairman, said that the international home video market continued to expand and orders for this

Adia renews

ADIA, the Swiss personnel

services and consumer prod-ucts group which is bidding £167m for Hestair of the UK, yesterday stepped up the war of words between the two com-

Attacking Hestair's defence

document for failing to address

"three critical issues", Mr Peter Muller, head of Adia's

said "we are looking forward to Hestair producing information

which has relevance to this

shareholders will be interested

in planned US sales by 1994

when they have given no infor-

mation about profits and earn-

ings in the current financial year," he says.

claims have been neglected by Hestair are the current trends

in its principal markets and

"Hestair's poor recent earnings per share record."

1p yesterday at 304p, still com-fortably ahead of the 282p per

share offer price. An analyst's

note issued yesterday argued that Adia would need to

increase its offer by between 40p and 50p to secure control.

Hestair's shares closed down

The other areas which Adia

Why do they think that

attack on

Hestair

By John Ridding

Christmas had broken industry records. Titles such as Bambi, Who Framed Roger Rabbit? and Batman together were expected to sell about 30m tapes in the US alone.
Total industry sales in the

exceed 200m videos in the US, an increase of 48 per cent. In the UK, the video market was expected to double. Half of Carlton's sales were in North America. However, because of the UEI purchase it is expected that Europe and

current year were expected to

Asia will become a more significant part of the total in the current year. Carlton's position in the market for professional video and sound products had been greatly strengthened by the start-up of satellite, cable and terrestrial TV in the UK and

Europe. This had led to an

increase in demand due to new stations equipping their facili-ties, renewed investment by existing broadcasters, and new independent facilities companies entering the market to

service the expected growth, Mr Green said that delayed production shipments at Abekas of the A72 digital char-acter generator, the A84 digital disc recorder and the A34 integrated post-production unit had now begun and each of the products had a long order book. Staffing levels at Abekas in the UK had been increased by 20 per cent to meet the growth in European demand. Film processing operations

had been affected in the short term by corporate activity among the Hollywood film stu-dios which led to the rescheduling of releases by two of its

had since gained an exclusive worldwide film processing con-tract with Walt Disney. Mr Green said the group's

involvement in programme production had been recently enhanced by a new joint ven-ture with Paramount Pictures. Through Zenith, Carlton had been contributing drama series, children's programmes. games shows and music pro-gramming across the UK net-work, but lacked penetration in the North American market. He added: "In joining Para-mount we gain access to a

wealth of experience in inter-national programme making and distribution." A proposed final dividend of 6.3125p will bring the total for

the year to 9.37p, an increase of 25 per cent. Carlton's shares closed 17p down at 852p.

#### Norfolk raiders call for EGM

major customers. Technicolor

THE TRIUMVIRATE of hoteliers attempting to seize the reins at Norfolk Capital. the hotel group, has called for an extraordinary general meet-ing, after directors yesterday

rejected its proposals. The bid to take over Norfolk's management is being mounted by Balmoral International, an Edinburgh-based company, which last week took its stake in the company to more than 13 per cent - the

largest holding.

Balmoral's proposals include

the ousting of Mr Peter Eyles, Norfolk's managing director. The company would instead be run by Mr Peter Tyrie, Balmoral's managing director, and his colleagues Mr Colin Wearmouth and Mr Michael Wil-

The trio is asking for a £500,000-a-year management fee, plus up to £7m more by 1994 related to increases in earnings per share and divi-

Mr Tony Richmond-Watson, Norfolk's chairman and a

Corres - Total Total

<b>DIVIDENDS ANNOUNCE</b>			_	
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	Current payment	Date of payment	ponding dividend	for year	last year
Airtoursfin			4.9	7	6.25
Berkeley Groupint		-	1.5	-	4,5
Cariton Commsfin		Apr 6	5.05	9,37	7.5
Eng Chine Claysfin	13	Apr 6	11.7	19.6	17.5
Eurocopyfin	2.17	Apr 6	0.6	3	0.6
Great West Reafin	3	-	3	š	5
Harris (Phillip)int		Feb 2	2	Ţ	5.5
Holmes/Marchantfin		-	3.55	7.5	6
JU §int	1.3	Feb 7	1,175	-	3.5
Learmonth & Burint	0.8	Feb 12	0.6	-	2
Marling Indaint	1.3†	Jan 15	1.2	-	4
S&N Breweriesint	4.42	Feb 16	3.1	_	10.83
Venture Plant §fin	2	Jan 23	-	3.25	-
Waterglade Intlint	1.95	Jan 29	1.75	-	4.5
Whitecroftint	4.6 <del>†</del>	Jan 29	4.1	-	13.8
Wolv & Dudleyfin	5	-	4.85	8.2	7
<del></del>					

Dividends shown pence per share net except where otherwise sta

director of Morgan Grenfell, said it would be "entirely inap-propriate for a public company to give the management of its assets and business to another

company." The proposals had been manimously rejected at yester-day's board meeting. "Each of the directors said they had not at any time given any indica-tion of approval." He stressed that he had no doubts about Mr Eyles's abilities.

Mr Tyrie, who has previously managed Gleneagles Hotels and Mandarin Oriental hotels, based in Hong Kong, said Balmoral aimed to enhance value for Norfolk's shareholders. He described the company as "somewhat dead." His plan for Norfolk was "to

get rid of the peripheral activities and to concentrate on the top end" — that is, five-star hotels. This might mean disposing of pubs and reviewing the St James's Clubs, which he said had been bought dearly from Mr Peter de Savary (about £22m was paid for the London and Paris clubs in

pre-tax profit of £5.34m on turnover of £43.6m. Earnings per share fell to 1.03p. The asset backing per share stands

Last year. Norfolk made a

at 47.7p.
Norfolk's share price rose
2%p yesterday to 34%p.

# investment up by £97m to £375m

By Charles Batchelor

STRONG DEMAND for funding from Britain's new and growing businesses led to an increase in investments by 3i Group, the UK's largest venture capital company, in the six months to end-September though the uncertain economic outlook may depress demand in future.

3i invested £375m in the first half of the year ending March 1990 compared with £278m in the same period last

However, the company's total return to shareholders fell from £115.3m to £92.9m (including £15.9m resulting from changes to the basis of valuations)

valuations).

The decline partly reflected an increase in the level of provisions, reflecting expectations of more difficult trading conditions. tions for 3i's customers. The long term trend of 3i's

return to shareholders, mea-sured in terms of net assets per share growth over five years, remained strong at 23 per cent a year, the company

Pre-tax profits, which do not reflect the changes in the valuation of 3i's portfolio which influence the total return, showed an increase.

They rose from £119.1m to £133.4m. 3i has increased its interim dividend from 3p to 3.3p. It paid a final dividend of 5.75p last time. Group income rose from

£128.9m to £156.9m. Provisions rose from £25.7m to £46.2m. Shareholders funds rose from £1.06bn to

Si plans to open two new offices later this year in Milan and Madrid with the aim of making international business an increasingly important part of overall activity.

#### Spencer approached

Spencer (Aberdeen) has received an approach from Landlaw which may lead to an offer being made on behalf of Landlaw for the issued share capital of Spencer. The board of Spencer hopes to be in a position to make a further

# Builder Group recommends £56m offer from CEP Comms

publisher of magazines and periodicals for the construction industry, last night recom-mended a £56.1m offer from CEP Communications, the fast-growing Paris-based pub-

lishing group.
The bid comes after several days of discussions between the UK publisher and several potential suitors. It is worth 340p a share in cash and there is also a loan note alternative. News of the offer came after the market closed, but Builder shares had already risen from

335p to 344p. Shareholders and directors speaking for around 29 per cent of the company have given irrevocable undertakings

to accept the bid. Not included in the irrevocables, however, is the holding of bles, however, is the holding of EMAP, the UK printing and publishing group which snapped up a 9 per cent stake in The Builder Group last

Last night, Mr Robin Miller,

THE BUILDER Group, UK EMAPs chief executive said he in office.

CEP, which is quoted in was "interested to see the announcement but we have no further comment to make". Mr Brian Giffin, The Builder

Group's chairman, said that he could not comment on what approaches the company might have received, nor from whom, in the wake of its announce ment last week a bid proposal might be imminent - although he confirmed that there had been more than one suitor. He said that the CEP offer had been the most attractive and represented a "full and fair price", but would not say whether it was the highest cash price on the table.
In deciding to go with CEP,
Mr Griffin claimed that the

company had been looking at ways of tackling Europe, and had felt this would be difficult without some form of joint ventures. CEP has also said it will maintain the existing operations and structure of The Builder Group, with all current directors due to remain

Paris with a market capitalisation of around £719m, publishes over 70 trade magazines including Le Moniteur, which claims to be the largest weekly magazine for the building industry in Europe. It also became the second largest book publishing company in France in 1988, following a deal with Generale Occidentale.

Yesterday, The Builder Group also unveiled its interim profits for the period to end-September. The pre-tax figure rose from £1.04m to £1.6m, on sales of £8.4m (£7.5m). Basic earnings per share were £.73p (£.53p) or 5.93p (£.06p) on a notionally taxed and fully diluted basis. The interim divi-

dend is 1.5p (1.2p).

In spite of the downturn in some parts of the building industry, the company maintained that its spread of titles cushioned the impact in the first half, and should continue to do so in the second.

### Holmes & Marchant up to £7.7m

marketing consultancy group, overcame an increased interest burden to report a sharp increase in taxable profits, from £4.49m to £7.57m for the year to end-September. The shares rose 8p to close at 200p. The result was achieved on sales of £60.28m, almost double

last year's figure of £30.53m. The increased interest charge, which rose from £94,000 to £793,000, reflected the use of cash rather than the issue of shares to finance deferred acquisition payments. At the year-end, net borrow-ings stood at £5.6m and the

interest charge was covered approximately 10 times by operating profits.

As usual, the design division contributed more than 50 per cent of group profits. Accord-ing to Mr John Holmes, chairman, the division performed ahead of expectations, with

ing performed particularly New clients gained during the year include British Gas,

HOLMES & MARCHANT, the marketing consultancy group, and London Regional Trans-

The results also included a first-time contribution from Catalyst Communications, the sales promotion business which was acquired in October 1988 for about £13m.

The new business added £1.84m to profits which the group said was in line with

During the period, the group increased its European presence through the acquisition of a 75 per cent stake in Consul-tores de Comunication y Direc-cion, a Madrid-based communications consultancy.

The group remains confident about the opportunities for growth in the current year. "Whichever way the economy turns, clients need to protect and build their brands. Past experience shows that in times of recession industry focuses both Holmes & Marchant on short-term tactical sup-Graphics and Facet Group havport," said Mr Holmes.

Earnings per share advanced from 25.8p to 30.2p and the final dividend is raised to 4.5p (3.55p) giving a total of 7.5p

**COMMENT** 

Holmes & Marchant's relatively bullish statement contrasts markedly with the doom and gloom emanating from much of the design and mar-keting sector. To a large extent this is justified by the areas in which H&M operates. It is focused principally on design and sales promotion — which are one of the first lines of defence employed by clients facing a build-up of stock and has little dependence on advertising. Similarly, less than 1 per cent of sales are in retail design. This said, there is no reason to suppose it would escape the impact of a marked economic slowdown and even the current level of decline may operate with a lag. Pre-tax profits this year should reach £8.6m placing shares on a lowly prospective multiple of 6. On fundamentals, this is probahly too cheap, but it is unrealistic to expect a company of H&M's size to shake the pessi-

September 1989

This announcement appears as a matter of record only

Underwritten by

National Westminster Bank PLC Amsterdam-Rotterdam Bank N.V. Barclays Bank PLC The Royal Bank of Scotland plc

Union Bank of Switzerland, London Branch The Dai-Ichi Kangyo Bank, Limited Midland Bank plc

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The Fuli Bank, Limited Union Bank of Finland Ltd, London Branch Bayerische Landesbank Girozentrale, London Branch Hessische Landesbank-Girozentrale, London Branch

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December 1989

Legal Advisers to Gallaher Limited Simmons & Simmons

GALLAHER

Gallaher Limited

£250,000,000 Multiple Option Facility

Arranger and Agent Bank **National Westminster Bank PLC** 

\$31,000,000

This announcement appears as a matter of record only

Bridge loan facility financing the acquisition of two resort hotels on the Island Territory of Aruba, and warrants exerciseable into 25% of the Common Stock of Divi Hotels, N.V.

# The Palmer Group, Inc.

through its affiliate

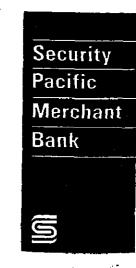
SP Aruba Properties, N.V.

Hotels operated by



Arranged and Underwritten by

Hotel and Leisure Division Security Pacific National Bank



Security Pacific Merchant Bank is the business name of Security Pacific National Bank, a Member of TSA

#### **UK COMPANY NEWS**

Joint venture with Titan Cement of Greece will ensure supplies

# ECC meets expectations with £151m

TOUGHER trading conditions TOUGHER trading conditions and a doubling in interest charges limited English China Clays, one of the world's largest supplier of numerals to the world paper industry, to pretax profits of £k50.6m for the year to the end of September, an increase of only 3.6 per cent. But the results were at the top end of expectations and top end of expectations and included an improved second half performance from its core industrials minerals division after a disappointing first six months. The shares rose 6p to close at 428p.

The group also announced yesterday that it was forming a 25m joint venture with Titan Cament of Greece to import and distribute cement. Increased cement prices cost ECC more than £2m last year and the new company, described as "the first association in the UK between a major cement manufacturer and a user", is intended to ensure stable supply and lower prices. With respect to the year's results, Mr Stan Dennison, chief executive, said that "the group has demonstrated its ability to react quickly and positively, thereby achieving a satisfactory re-rult despite difficult market conditions."

Group turnover during the period increased from £936.9m to \$382.2m and earnings per despite a slowdown in the share advanced to 44.91p growth of the European paper



Stan Dennison, chief executive, right, and Bob Cariton-Porter, finance director - reacting quickly and positive y

industry which resulted in sales of Kaol in falling by about

2 per cent cwer last year. But this was more than com-

pensated by the increase in sales of Calcium Carbonate which lifted worldwide sales of

indust rial minerals above 6m tonnes for the first time.

The Hammerson Property

Investment and Development

Corporation PLC

£100,000,000

Bonds due 2013.

Tesco PLC

£100,000,000

Bonds due 2015.

November 1988

(43.82p). The final dividend of 13p (11.7p) gives a total for the year of 19.6p (16p). The industrial minerals divi-

sion, which represents the bulk of profits, increased its contri-bution from £81.9m to £89.7m despite a slowdown in the

The strongest performance came again from the construction materials division, which increased operating profits by 21 per cent to £50.2m. Margins also improved, from 12.9 per cent to 14.9 per cent. But the construction division

suffered from the depressed housing market and completed only 691 house sales compared with 1,289 last year. However, a sharp increase in achieved prices from an average of £58,000 to £68,000 enabled a rise in divisional profits.

A more serious setback w

experienced at the group's dril-ling fluids business which sharply increased its losses from £100,000 to £1.9m. The loss, which was much larger than anticipated reflected the downturn in oil drilling in the

The issue of preference shares in the US in August raised £122m and helped cut group borrowings from £171m to £101m. But the timing of the issue meant that interest charges rose from £10.8m to

The group announced that it is changing its name to ECC Group, with effect from March, to reflect the full nature of its business. It is also changing its year end to December 31 to bring it in line with its major customers and markets.

Scottish & Newcastle ahead 21%

SCOTTISH & NEWCASTLE by Mr Nicholas Ridley, the Sec-Breweries, which expects to raise £30m-£45m from the sale of 300 of its 2,300 pubs early next year, yesterday reported a 21 per cent increase to £87.4m in pre-tax profits for the halfyear to October 29.

Operating profits rose 38 per cent to £111.5m on turnover up 20 per cent at £613.2m (£510.2m).

The results included a full six months for Thistle Hotels – the £645m sale of the division to Mount Charlotte was yesterday given the all clear

retary for Trade and Indus-

try. Mr Alick Rankin, chairman and chief executive, underlined the benefits of the deal in reporting that profits growth from the hotels had been "disappointing due to slackening business demand.

Pontin's and Center Parcs, the company's new leisure interests, had traded strongly, making a first contribution, net of financing costs, of £8.6m to pre-tax profits. Mr Rankin added: "We have

great confidence in their poten-tial."

Good weather and more flexible licensing hours boosted beer sales through pubs and the take-home trade also recorded "significant growth". The company, which appar

ently sees no sign yet of losing the Australian brewer, Elders,

from its list of shareholders, is

selling some 300 pubs next spring to avoid the problems of the post-MMC rulings on tied

must view current economic indicators with concern, in particular pressures on consumer demand at home, the company is in a strong competitive posi-tion in a changing beer market with the balance sheet strength to take advantage of opportunities as they

Earnings per share were 14.6p, up from 12.9p. A near-43 per cent rise in the interim dividend to 4.42p is intended, in part, to give a better balance with the final payout.

See Lex

Wolverhampton & Dudley's

ment of tougher trading condi-

maintain a high level of capital

investment, While profits esti-

"frank and realistic" asse

### W&D Breweries rises but issues warning

WOLVERHAMPTON & Dudley Breweries yesterday reported pre-tax profits of \$30.63m for the 12 months to October 1 - a rise approaching 15 per cent but still at the lower end of City expectations, writes Philip Rawstorne.

Furthermore Mr David Thompson, managing director, warned that the year ahead did "not hold out much cheer" for

the company.
The profits included a one-off employee bonus adjustment of £585,000.

The take-home trade had a good year with volume and market share growth, in spite of an estimated 20 per cent decline in the free trade

Bass

£150,000,000

Debenture Stock due 2016.

The Scottish Metropolitan

Property PLC

£30,000,000

First Mortgage Debenture Stock due 2016.

**Associated British** 

**Ports Holdings PLC** 

£75,000,000

Bonds due 2015.

club sector in the Midlands. More flexible licensing hours boosted tied trade volume and

Nine new pubs were opened and 43 others refurbished. Crown & Raven hotels also contributed substantially to the year's growth.

With beer volumes likely to decline by up to 3 per cent dur-

ing the coming year, Mr Thompson said progress would have to be made through increasing market share. But consequent heavier mar-

keting and distribution costs would slow the rate of growth in trading profits. The capital expenditure

The Kleinwort Benson Group

needed to maintain the company's competitive position was likely to increase interest charges to £5m. But the softening of the UK

housing market does enable us to do much building work at good value," Mr Thompson Trading profit was 19.5 per

cent ahead at £32.23m on turn-over of £158m.15m. Earnings per share rose 15 per cent to 31p. A final dividend of 5p is pro-

posed, making a total of 8.2p, an increase of some 17 per **COMMENT** 

Analysts were impressed by

mates for next year were scaled down to about 234m, the investment strategy was given the thumbs up. The brewer is still seen as one of the main potential beneficiaries of the industry, notably as a supplier of "guest" cask-conditioned ale to the tied outlets of national

brewers. The more it can do now to ensure its opportunities are fully exploited, the

#### Ford's Jaguar offer unconditional

Ford Motor Company shares. In addition, valid yesterday amnounced that its offer for Jaguar had been acceptances under the US offer had been received in respect of about 21.3 per cent. Prior to the acquired or agreed to acquire offer, Ford already controlled 77.4 per cent of Jaguar's

By the morning of Friday last week Ford Britain had received valid acceptances in respect of 43.1 per cent of the

A CONTRACTOR OF THE PROPERTY O

- 12 P

more than 10 per cent.

The offer has been extended until further notice. At least 14 days notice will be given before the UK and US offers

+17.65%

+34.96%



RESULTS FOR THE YEAR TO 15th AUGUST 1989

SIGNIFICANT SUCCESS ACHIEVED ACROSS ALL AREAS OF ACTIVITY

Profits before Tax +34.45% 👿 Earnings per Sbare +31.34%

Total Dividend per Sbare 6.0p

Net Assets per Share

👿 Investment Properties and Investments in Course £318.9m of Development +29.10%

> The Scottish Metropolitan Property PLC Royal Exchange House. 100 Queen Street, Glasgow G1 3DL.

241.3p

THE BARING EUROPA FUND

Société d'investissement à capital variable

R.C. Lexembourg: B 25 652

SECOND EXTRAORDINARY GENERAL MEETING OF SHAREBOLDIES

The Board of Directors



NOTICE TO THE WARRANTHOLDERS OF

#### THE DOWA FIRE AND MARINE INSURANCE COMPANY, LIMITED

Bearer Warrants (the "Warrants") to subscribe for shares of common stock of The Dowa Fire and Marine Insurance Company, Limited

in conjunction with an issue of up to U.S. \$70,000,000 4% per cent Notes 1993. Pursuant to Clause 4 (c) of the Instrument dated 25th February 1988 (the "Instrument") and in accordance with Conditions 7 and 1.1 of the Terms and Conditions of the Warrants.

notice is bareby given that:

On 27th November 1988, the Board of Directors of The Down Fire and Marine Insurance
Company, Limited (the "Company") resolved to issue 15,000,000 Shares of common stock of

mily, pursuant to Chause 3(vi) of the Instrument and Condition 7 of the Terms and as of the Warrants, the Subscription Price of the First Warrants will be adjusted 6.30 to 4755.30, which shall become effective as from 14th December, 1969(Japan

THE DOWA FIRE AND MARINE INSURANCE COMPANY, LIMITED

By The Bank of Tokyo Trust Company of Disbursement Agent

# One billion pounds of long term funds for British Industry

**Town Centre** Securities plc £35,000,000

First Mortgage Debenture Stock due 2021.

Mount Charlotte Investments plc £100,000,000

First Mortgage Debenture Stock due 2014.

Dares Estates plc £20,000,000

First Mortgage Debenture Stock due 2012.

£100,000,000

Bonds due 2014.

TRAFALGAR HOUSE

due 2014.

**Mount Charlotte** 

Investment plc

£100,000,000

Further tranche of First Mortgage

Debenture Stock



Further tranche of Debenture Stock due 2016.

English and Scottish Investment

£20,000,000 Debenture Stock due 2014.

Trust p.l.c.

King's Cross House plc

£55,000,000 Secured Bonds due 1999.

March 1989

**Greenall Whitley** 

£50,000,000

**Public Limited Company** 

Debenture Stock due 2014.

February 1989

# The Kleinwort Benson Group

20 Fenchurch Street, London EC3P3DB Issued by Kleinwort Benson Limited, a member of TSA and of the AIBD

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#### UK COMPANY NEWS

# Awash with a torrent of water applications

Andrew Hill on the statistics and opinions behind the over-subscription for the shares

ORTHUMBRIAN

Water's customers may feel a little disgruntled its popularity with stags from the south-east of England, the north-east's water company

this morning.

Unlikely as it at first seemed, Northumbrian, smallest of the 10 privatised water companies, proved the most popular with private investors. For a combination of reasons — good management, takeover speculation and a handsome yield among them — the company received nine times as many applications from the general public as there were shares available for them. That

was after clawing back shares provisionally allocated to investment institutions.

As a result, no private investor has received more than 200 shares and those who applied for 4,000 or more have received

none at all.

Among those scaled down to zero was Sir David Chapman, a director of Wise Speke, the

Newcastle stockbroker.

"After all the hype and everything I think it's disappointing – personally I would have preferred a ballot," he said yesterday. "On the face of it, it seems very unfair: I think [Wise Speke clients] feel slightly aggrieved – I mean after all this nonsense about

There were few surprises in the basis of allocation.
Thames, Wessex and Southern
— which follow Northumbrian in the over-subscription league table — were widely tipped.
They also top the list of companies most popular with their

own customers.

That is probably more a reflection of the relative prosperity of the 10 water regions, than an indication of the local perception of the water and sewage businesses. Thames, for example, attracted applications from 3.8 per cent of its population of 11.7m. The bottom four with customers were Yorkshire, Welsh, North West and Northumbrian. In spite of

the south-east of England, the north-east's water company only attracted applications from 1.5 per cent of its 2.6m customers.

On the other side of the country, in North West's region, more ambitious local punters have done rather better than their Northumbrian neighbours. Investors prepared to risk up to £15,000 for their first instalment of 15,000 water shares, have been scaled down to 5,000. By contrast, Thames customers who banked on receiving 15,000 will only get

"It suits us because most of our clients have applied for North West," said Mr Derek Calrow, a partner with the Bury stockbroker James Sharp. "We advised them to do that because there were more shares available [North West is the biggest company after Thames], but whether we shall feel so happy when we see what the opening share price is I don't know."

Over-subscription is almost certain to keep water share prices healthy in the first few weeks of dealings, starting today. The principal reason is rarity value. Fund managers have seen their provisional placings clawed back to supply the private investors, but they still want to inject the stability of water stock into their equity

portfolios.

"On the whole I think UK institutions will still be short and looking for more stock," said one fund manager yesterday. "The most obvious source in the first few weeks will be overseas holders [who received 13.9 per cent of the total issue] selling their stock back into

Two contracts to be launched on traded options market

TWO CONTRACTS for water shares will make their debut on the London Traded Options Market this morning. One is an option for 1,000 Thames Water shares and the other a contract for a package of shares representing all 10 UK

water companies, writes Peter Berlin.

The water package option will be the same in composition as the water package offered in the flotation and which accounted for the bulk of institutional buying. It consists of 1,000 shares

135 in Anglian, 30 Northumbrian, 163 North West, 162 Severa Trent, 75 Southern, 56 South West, 176 Thames, 66 Welsh, 47 Wessex and 90

orkshire. The package option represents an innovation in two respects. It will be the first sector contract on the LTOM, the only other package is a FT-SE 100 option. Furthermore, all other options are for alpha stocks, and the water package will include some companies which are not alphas.

Because the water package is be made of shares in 10 companies, its price will be quoted in pounds for the whole package rather than the usual pence-per-share.

Both water contracts will begin trading as a price on the James March.

Both water contracts will begin trading as restricted life options on the January-March-May cycle. This means that options for later cycles will not be issued automatically, but only if demand is strong enough.

the UK market."

The continued interest of institutions is likely to support the market, as is the continuing strong yield of the companies which compares well with conventional equities. Thames has the lowest starting yield of 8.1 per cent; even if its partly-

paid shares rise to a premium of 40 per cent, they will still be offering an annualised return of nearly 7 per cent on the full share price. Small investors who are looking to sell out early at a profit will be hoping that a high level of interest is sustained beyond December 20,

when the share certificates will be posted and they can begin dealing for real. For the disappointed potential investors, like Sir David Chapman, December 20 is also the date when some rather large cheques will be returned uncashed.

	APPLICA	TIONS FROM T	HE PUBLIC	
Company	Applications (,000,)	Sharea applied for (ms)†	Times subscribed after clawback*	Number of customer preferential applications(,000s
Anglian	276.8	300.5	2.2	142.9
Vorthumbrian	262.1	275.6	9.0	· 46.6
North West	234.4	265.4	1.6	137.0
Severn Trent	306.8	306.4	1.8	<b>186.2</b>
Southern	257.4	261.5	3.4	128.6
South West	126.7	146.8	2.6	32.3
Thames	669.0	777.9·	43	440.5
Neish	137.2	138.8	2.1	58.3
	185.8	193.2	4.0	82.6
Nessex			2.6	93.7
Yorkshire	202.8	241.8		
	2650.0	2905.0	2.8	1848.7

# iii. iii spite (

WATERGLADE International Holdings, property development and investments group, reported a profits rise from £2.28m to £3.13m for the half year to September 30 on turnover up from £6.46m to

Waterglade looks to

£19.3m.

Mr WH Adams, chairman, said that the UK economy had been affected by high interest rates. But he was confident that the combination of secure rental income, a diversified UK commercial development pro-

# Europe for growth WATERGLADE International Holdings, property developmental European operations

nental European operations would enable the company to maintain organic growth.

Operating profit for the period was up from £2.06m to £2.92m, rents receivable amounted to £802,000 (£159,000) and interest payable to £600,000 (£62,000 credit). Tax took £1.13m (£820,000) leaving earnings per share of £83p (£.12p) hasic and £7.8p (£.22p) fully diluted. The interim dividend goes up from £75p to £195p.

# Cargo acquisition and £2m open offer

CARGO CONTROL is acquiring J&S Component Engineering for an initial consideration of £3.75m. Further consideration of up to £1.5m, together with a sum equal to interest on half that sum may become payable dependent on pre-tax profits for the year to

December 31 1990.

The initial consideration is to be satisfied by the issue of 1,052,632 new Cargo ordinary shares which will be placed on behalf of the vendors to realise

cash, and the issue of guaranteed loan stock of a principal amount of £2.75m.

Cargo Control is also proposing to raise £2m net by the issue for cash of 2.423,082 new ordinary shares principally to provide security for the loan stock to be issued as part of the initial consideration for the acquisition. All these shares are the subject of an open offer, which has been fully underwritten by brokers Bee-

# 3i GROUP PLC

"3i invested £375 million (£278 million to 30th September 1988) in new and growing businesses."

"The recent rates of growth in new investment may not be sustained for the second half ... The coming six months should favour well managed businesses, better equipped to withstand economic and market pressures."

The long term trend of 3i's return to shareholders ... remains strong at 23% per annum.

"By opening two new offices later this year – in Milan and Madrid, 3i is reinforcing its commitment to Europe, already manifest in our offices in France and Germany."

SIR JOHN CUCKNEY, CHAIRMAN.

# UNAUDITED CONSOLIDATED REVENUE STATEMENT Six months to 30 September 1989

30 Sep 1989 £000 156,972 1,344 158,316 45,528 (46,234) 157,610 34,846 122,764	1988 £000 128,922 2,736 131,658 109,737 (25,690) 215,705 . 27,340 188,365 69,277	31 March 1989 £000 260,043 4,382 264,425 166,159 (56,584) 374,000 63,439 310,561 153,983
£000 156,972 1,344 158,316 145,528 (46,234) 157,610 34,846	£000 128,922 2,736 131,658 109,737 (25,690) 215,705 27,340 188,365	£000 260,043 4,382 264,425 166,159 (56,584) 374,000 63,439 310,561
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34,846 22,764	215,705 - 27,340 188,365	374,000 63,439 310,561
34,846 122,764	27,340 188,365	63,439 310,561
22,764	188,365	310,561
89,389	69,277	153 983
33,375	119,088	156,578
47,608	42,793	57,246
85,767	76,295	99,332
46	115	158
85,813	76,410	99,490
7.678	. 6.949	6,949
-,	-1	13,356
		20,305
78 135	- 69,461	79,185
	7,678	7,678 6,949

Notes: (i) The Frizzell Group Ltd ceased to be an associated company on 1 April 1989.

(ii) The estimated tax charge for the 6 months to 30 September 1989 has been calculated in accordance with the Special Commissioners' decision in principle, issued on 25 October 1989, that the major subsidiary of the Group carries on an investment business. No adjustment has been made in respect of previous years: the tax charges for the comparative period and year to 3! March 1989 are as previously reported and were calculated on the basis that the major subsidiary

was trading.

(iii) The figures for the year ended 31 March 1989 are taken from accounts filed with the Registrar of Companies on which
the auditors issued an unqualified report.

In order to present a comprehensive view of the Group's investment activities the annual accounts include supplementary accounts incorporating, inter alia, investments at valuation. Reserve movements for the period and shareholders' funds, prepared

6 mon	ths to	Year to
<ul> <li>30 Sept</li> </ul>	ember	31 March
1989	1988	1989
£000	£000	£0 <b>0</b> 0
24,034	31,143	28,477
65,897	54,958	73,456
(66,358)	(34,593)	(47,972)
61,622	56,856	157,998
85,195	108,364	211,959
1,253,924	1,063,600	1,167,395
)	30 Sept 1989 £000 24,034 65,897 (66,358) 61,622 85,195	1989 1988 £000 £000 24,034 31,143 65,897 54,958 (66,358) (34,593) 61,622 56,856 85,195 108,364

This summary does not reflect the reduction in capital reserve of £77,306,000 arising from the one-for one bonus issue on 5 September 1988.

The increase in value of investments after tax in the period to 30 September 1989 includes £15,905,000 resulting from minor adjustments to the bases of valuation.



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#### **UK COMPANY NEWS**

# Whitecroft advances 22% to £7.3m

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WHITECROFT, the property, textiles, building and lighting products group, increased pretax profits by 22 per cent to \$7.34m in the six months to September 30, against £6.03m in the equivalent period.

Mr Tom Weatherby, chairman, said that Whitecroft was cautious about the current eco-

nomic climate, but added that the company was shielded against the immediate effects of a downturn.
"Our different businesses are

affected at different times by the UK economic scene dones-tic windows are affected very rapidly by interest rate rises, for example, but things like commercial lighting and property development are on a much longer timescale," he

MARLING INDUSTRIES, the manufacturer of industrial tex-

tiles and safety products, yes-terday aunounced pre-tax prof-its up 25 per cent from 23.5m to

£4.38m for the half-year to Sep-

full six months' contribution from the Boalloy Group, the

truck body maker which was a

20 per cent associate until August last year. At the pre-tax line Boalloy made £1.25m. Group turnover

increased from £37.57m to

share moved ahead by 9 per cent to 8.28p (7.58p), affected by

1.25m shares issued as part-

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tember 30.

£56.04m

Examings per share rose from 12.79p to 14.5p in the first half and the group declared an interim dividend of 4.5p (4.1p). Turnover was down to 269.3m against 271.7m previously when there was a contribution from the builders merchants sold in August 1988.

Froperty development,
which includes housebuilding,
again made the largest contri-

bution to profits, at £3.59m Mr Weatherby said the division was sheltered from the worst effects of a slackening property market by its geo-graphical bias to the north of England in housebuilding and by its portfolio of small com-mercial development projects.

improvements concern. The interim dividend is 1.3p (1.2p). In the absence of published information, the results excluded any contribution from Thomas French.

Mr Peter Held, chairman,

warned that any prolonged slowdown in the UK was likely to offset growth elsewhere achieved by Marling compa-

In the UK, he said the indus-

trial textiles businesses contin-ued to achieve good results but Boalloy's business had experi-

Boalloy buy helps Marling to £4.38m

consideration for the acquisi-tion last July of a 22.8 per cent stake in Thomas French, the curtain styling and home the face of more difficult

£2.6m, and profits from the building products division — distorted by the move away from the builders' merchanting business — were £1.48m (£2.13m)

Compared with a difficult first half in 1988-89, textiles nearly doubled profits, making £1.03m (£532,000). Existing textile subsidiaries increased profits the compared profits its by about 50 per cent and the balance of the increase was due to a three-month contribu-tion from Bandfabriek Hevatex, a recently acquired Netherlands company.

• COMMENT

Whitecroft's solidity must be a comfort to existing shareholders in the current climate, but The lighting division pushed it is unlikely to attract new up profits from 21.79m to investors, particularly as the

nic conditions.

Dutch and Spanish compa-nies were maintaining strong

performances. In Australia,

rationalisation was complete and companies there were

producing good results.

• COMMENT

group's shares have suffered in recent months from the poor market perception of building materials groups. That is somewhat unfair. Commercial lighting and some Whitecroft building products are sold into the later stages of contracts already running, so there is an element of security in that business which is lacking in the domestic market. Mr Weatherby still has his eyes on a major acquisition in the tex-tile, building product or light-ing divisions, but for the time being is happier to keep gear-ing below the end-September figure of 40 per cent. Forecast profits of about £17m or £17.5m

put the shares, which yester-day slipped 2p to 304p, on a

prospective p/e of about 9.

course lift the refurbishment side of the business, and refit-tings as customers lengthen trailers rather than buy new

people felt the Boalloy diffi-culty was not likely to be more

than a temporary phenome-non; but nevertheless its effects on the second half

meant pre-tax profits forecasts for the full-year were pruned back to about £9m. The shares

are left on a premium prospec-tive p/e of about 13. This seems

#### NEWS DIGEST

#### Sharp leap at Edencorp to £826,000

EDENCORP LEISURE, the acquisitive Third Market-listed leisure operator, yesterday announced taxable profits of 2826,000 for the period to October 31 1989.

The outcome compared with profits of £213,000 last time. The group came to the market in May of this year at which time its only activity was Iberian Leisure Holdings. Results from this operation were used to provide expressions.

to provide comparisons. Since its flotation, Edencorp has purchased a water theme park in Scarborough, North Yorkshire and Redelco, which owns and operates develop-ments in the UK and Portugal. "The impact of our recent acquisitions place us firmly in the international league of the growing European leisure mar-ket," said Mr Michael Wallace, chairman.

Turnover more than doubled to £3.41m (£1.57m).

#### Equipu buy behind Eurocopy apturn

Thanks in no small part to February's £14.2m acquisition of Equipu from Sketchley, Eurocopy, the supplier of pho-tocopying and facsimile equip-ment, has more than doubled its profits in the year to Sep-

Mr Cyril Gay, chairman, said: "The acquisition of the Equipu Group has not only given us national coverage but has increased our installed machine base almost fivefold." He stressed that the enlarged base increased the potential both for equipment sales and recurring meter income Eurocopy other service income. Eurocopy also bought Teesdale & Com-

pany for up to £1.2m.

At the pre-tax level profits leapt from £3.41m to £7.07m, while turnover more than tre-bled to £34.48m (£11.51m). Sales of machines and furniture accounted for £22.4m (£6.2m) of this figure, with metered income and service revenue contributing £12.1m (£5.3m). After tax of £2.49m (£1.11m),

earnings worked through up at 10.45p (6.22p) per share. The final dividend is a recommended 2.1p (0.6p) to make 3p (0.6p) for the year.

#### JLI shows small rise to £0.88m

JLI Group, the USM-quoted food distribution and process-ing company formerly known as Jack L Israel, yesterday unveiled taxable profits of £881,000 for the six months to end-September.

The result showed a merely marginal improvement on the 2867,000 reported in the same period of 1988 although this included £140,000 from a property disposal.

At the operating level, however, profits expanded by 39 per cent from £977,000 to £1.36m, after interest charges increased to £477,000 (\$250,000). Turnover improved to £37.6m (£29.24m) reflecting

"healthy growth in all divi-sions" and the inclusion of Sundora Foods from May. Earnings per 20p share declined to 3.15p (3.35p) but the interim dividend is raised from an adjusted 1.175p to 1.3p.

#### All-round increase for Learmonth

With all divisions contributing increased revenues and a major advance from its core consultancy activities, Lear-month and Burchett Management Systems produced a 38 per cent increase from £373,000 to £513,000 in pre-tax profits for

Rainer Burchett, the chairman, said that current trading continued to be good and the company felt confident about the year as a whole. Reflecting the confident outlook the interim dividend has been raised by one-third from 0.6p to 0.8p from earnings of 2.7p (2p). Turnover of this USM quoted company rose 46 per cent to £8.03m (£5.49m) in the period while the operating profit improved to £1.56m (£1.19m).

#### Mowlem sells offshoot to directors

John Mowlem, the construc-tion group, has sold its Peter Cox subsidiary for £10.8m to three directors of the company who have been backed by insti-

tutional investors.

Cox is involved in property preservation, hygiene, pest control and building restoration. In the year to December 31, 1988, it made pre-tax profits of £688,000 on turnover of £26.1m.

The business has been bought by Statgo, a new com-pany formed by the directors.

#### N.V. Gemeenschappelijk Bezit van Aandeelen Philips' Gloeilampentabrieken (Philips' Lamps Holding) Eindhoven, The Netherlands

#### DIVIDEND DECLARATION

The Board of Governors of N.V. Gerneenschappelijk Bezit van Aandeelen Philips' Gloeilampenfabrieken (Philips' Lamps Holding) has declared an interim dividend for the financial year 1989 amounting to NLG 0,60 per Ordinary Share of NLG 10,- nominal value.

The interim dividend will become payable on 4th January 1990. Payment of the net amount of this dividend on UK-CF certificates will be made by the company's paying agent, Hill Samuel Bank Limited, 45 Beech Street, London EC2P 2LX, to the UK-CF depositaries in accordance with their positions in the books of CF-Amsterdam at the close of business on 8th December 1989.

Holders of UK-CF certificates are reminded that such payment is subject to deduction of 25 per cent Netherlands Withholding Tax. This 25 per cent may, however, be reduced to 15 per cent when payment is made to residents of the United Kingdom or to residents of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Western Germany, Ireland, Japan, Luxembourg, Netherlands Antilles, New Zealand, Norway, South Africa, Spain, Sweden and the United States of America, who deliver through the UK-CF depositary the appropriate Tax Affidavits to the company's agent Hill Samuel Bank Limited. The Netherlands Withholding Tax may be reduced to 20 per cent when payment is made to residents of Indonesia who deliver the appropriate Tax Affidavit in the above-mentioned way.

Payment of the net guilder amount of dividend will be made by Hill Samuel Bank Limited, in sterling at the rate of exchange ruling on 4th January 1990, unless payment in guilders on an account with a bank in The Netherlands is requested no later than 28th December 1989.

Eindhoven,

11th December 1989 The Board of Governors

**PHILIPS** 

#### News of the effects the down-turn in the UK truck industry was having on Boalloy left fol-lowers in something of a quan-dary, wondering how severe the problem would be and how prolonged. A downturn in pur-chases of new vehicles was at was having on Boailoy left followers in something of a quandary, wondering how severe the problem would be and how prolonged. A downturn in purchases of new vehicles may of the last few years and its strong presence in continental European markets. enced reduced demand since Steep fall at Berkeley Group to £2.2m

BERKELEY GROUP, the specialist housebuilder and commercial developer, showed an 83 per cent tumble in pre-tax profits in the six months to October 31.

They fell from £12.73m to Mr James Farrer, chairman, said that the short-term future for residential housing was very difficult to predict given the current economic uncer-

pany viewed the year ahead with extreme caution and furthermore warned that the pres-

Turnover declined to £45.91m of 1990. (£72.76m). Operating profits were down to £3.97m (£12.63m), and profits

from related companies down at £397,000 (£1.03m). Interest payable, however, rose from £934,000 to £2.16m. Tax took £771,000 (£4.46m), leaving earnings markedly down at 3.4p (19.9p) per

He emphasised that the com-The interim dividend is maintained at 1.5p. would
Mr Farrer said that the company did not expect to see any values.

ent situation might well significant upturn in housing mand before the latter part

However he was confident that, when demand returned, it was well placed to respond

The company has no land bank and only a small number of properties to be built out These factors, which together with its strong bal-

ance sheet, meant the company should recover quickly and would also be able to take advantage of current low land



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of the same period last year. 33

CThe increased profit for this half-year again

demonstrates the combined strength of our four

divisions in their numerous markets in the UK and overseas. It is prudent to remain cautious about the

effects of the UK economic climate, although the profits of recent months have been well above those

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Telephone: 0625 524677.

Pre-tax profit 22%

Earnings per

Dividends

share

#### **UK COMPANY NEWS**

Market share up but margins hit by problem aircraft and excess capacity

# Airtours displays 28% advance to £5.21m

A I R T O U R S, the Lancashire-based holiday company which has hopped up to third place in the package-tour league, increased pre-tax profits by 28 per cent to £5.21m for the year to September 30.

However, with sales ahead 52 per cent to £155.64m, marriage.

per cent to £155.64m, margins were eroded by one problem aircraft and by excess capacity in August and September.

The company, which draws the bulk of its custom from the north of the country, provided holidays for 664,000 people, compared with 460,000 last year, advancing from 4 per cent to 6.5 per cent of the mar-

ket.

Mr Harry Coe, finance director, said the company avoided head-on competition with the two giants, Thomson and International Leisure (Intasun), which have nearly 60 per cent of the market. of the market. "We have expanded from regional airports and our mar-keting is targeted, for example, at families through offering free or reduced prices for chil-

dren" he said. While the package holiday

the market was expected to be 10 per cent down on last year's lim, the company reckoned it would hold its numbers steady. Mr David Crossland, chairman, said there had been a 50 per cent expansion in its long-haul holidays.

The company remained cash-positive, deriving about £1.7m from investments last

It was putting money into two ventures, continuing its "opportunistic" policy of mov-ing into profitable niches, he said. It had set up a directory of 1,000 UK cottages; and, under the name Eurosites, it was starting to offer crossing and accommodation packages at high quality camp sites in France, Spain and Italy. Both ventures had enabled it

to redeploy staff from the less buoyant flight-based wing and the Cottage Directory made use of the same computerised reservation system. Neverthe-less, Mr Crossland said UK staff numbers had been

slimmed down.
Mr Coe said there was some hope that margins would



David Crossland: 50 per cent expansion in long-haul holidays

now working hard to maintain improve through capacity reductions. "Having cut each other's throats for the last Earnings per share increased by 19 per cent to 20.82p and the

a cash pile and northern customers with more resilient disposable incomes. Without the burden of owning aircraft, it is

recommended final dividend of 5.5p makes a total of 7p (6.25p).

Airtours' margins may not look impressive, but it does far better than most in an indus-

try where last year the top 30 tour operators made an aggre-

gate net profit of £15.5m, a mere 0.5 per cent of combined turnover. Its cushions include

• COMMENT

burden of owning aircraft, it is diversifying into earth-bound holidays. The two "cottage industries" it has so far picked look ripe for a more professional approach, particularly if the inspection system is rigorous. But after a poor pre-Christmas booking season for the flight-based packages, the big question is how many of the interest-rate-bludgeoned UK consumers will turn up in the New Year. A current-year forecast of 58m gives a prospective multiple of 5.4 for a company that should weather the pany that should weather the storm better than most.

# Philip Harris recovery

PHILIP HARRIS Holdings increased pre-tax profits by 67 per cent from £446,000 to £746,000 in the six months to September 30. Turnover at this scientific, educational and medical equipment supplier was up 32 per cent from £30.86m to £40.87m.

Mr John Haller, chairman, said that, while there was still much to be achieved, the com-pany had made "a very good recovery towards the original long-term targets". In the year to March 31, profits had fallen 40 per cent to £911,000 (£1.51m). He added that the coming year-end result depended on

the timely execution of curren

Operating profits were 1988,000 (2530,000) and interest took 2220,000 (284,000). With tax set at £261,000 (£156,000), earnings rose to 6.16p (3.71p) per share. The interim dividend is maintained at 2p.

The medical division continuation

ued to make progress with a 22 per cent increase in profits on wholesaling activities, while the educational side saw a 62 per cent gain.
The scientific division was

now showing the benefit of operating under a single manment team.

#### Grenfell urges **Deutsche Bank** acceptance

three years, the operators are

By David Lascelles, Banking Editor

Morgan Grenfell's prospects for this year are "encouraging, with a particularly good per-formance expected from the corporate finance division", according to the merchant bank's chairman, Mr John

Writing to shareholders in the offer document for Deut-sche Bank's agreed £950m bid, he urges acceptance on the grounds that the takeover will be in their best interests as well as those of employees and

Deutsche Bank, which currently owns 29.8 per cent of Morgan, is offering 550p per share. The offer closes on Jan-

#### Rothschild ups stake in Dixons By Maggie Urry

Mr Jacob Rothschild's mr Jacob Rothschild's securities company yesterday disclosed that it had increased its stake in Dixons, the electrical retailer currently fending off a 120p per share cash hid from Kingfisher.

J Rothschild Securities bought 2.5m shares last Wednesday, at prices between 138p and 145p, well above the bid price.

The buying takes the stake held by the J Rothschild group to 2.19 per cent. Dixons shares fell by 3p to 186p yesterday, while kingfisher's were up 1p at

Fleming Int High assets 51.3p

Fleming International High Income Investment Trust reported net asset value of 51.3p at November 30 in its first results since changing its invest-ment policy from being Flem-ing Technology Investment

Net revenue for the six mouths to the end of November 1989 was £807,000 (£508,000) for earnings per share of 0.72p (0.45p). The interim dividend is

#### Coated Electrodes back in the black with £111,000

COATED ELECTRODES, the USM-quoted company which last year made a loss of £134,000 is back in the black with a profit of £111,000 for the six months to September 30.

The company revealed this as it amounced the takeover of Kembrey Gram the mann-

of Kembrey Group, the manufacturer of electro-mechanical assemblies and precision engineered products, for a consideration to be satisfied by the issue of 14,267,894 new Coated

Electrodes ordinary.
The issue to shareholders of Rembrey will result in a holdthe enlarged issued ordinary capital of Coated Electrodes.

The Takeover Panel has

agreed, subject to various resolutions being passed, that the vendors will not be required to make a general offer under Rule 9 of the City Code.

The Schroder UK Venture Fund, which will hold less than 30 per cent of Costed's voting rights following the acquisition, will be able to

acquisition, will be able to increase its holding up to 30 per cent without incurring an obligation to make a general

As the concert party will hold between 30 and 48 per cent of the voting rights of Coated Electrodes, it will be permitted to purchase additional ordinary shares, without the control of t obligation to make an offer, provided that such purchases do not represent more than 2

per cent in aggregate in any 12 month period.

Kembrey Group for the 11 months to May 31 1989 earned a pre-tax profit of 2518,000 (£362,000 for the previous 12 months) on a turnover of £6.18m (£7m).

Turnover of Coated Elec-trodes in the six months ended September 30 was £6.05m (£8.25m) and operating profits amounted to £190,000 (£369,000) or £274,000 (£473,000) on con-

tinuing operations.

Earnings were 0.4p (loss of 1.3p). Operations of Sarciad International disposed of subsequent to year April 1 1999 nll. (£119,000 loss).

There is no interim and no dividends will be paid until there are sufficient distributa-

Some of the reasons for our international growth.

Year 31 March 1989

31.53p

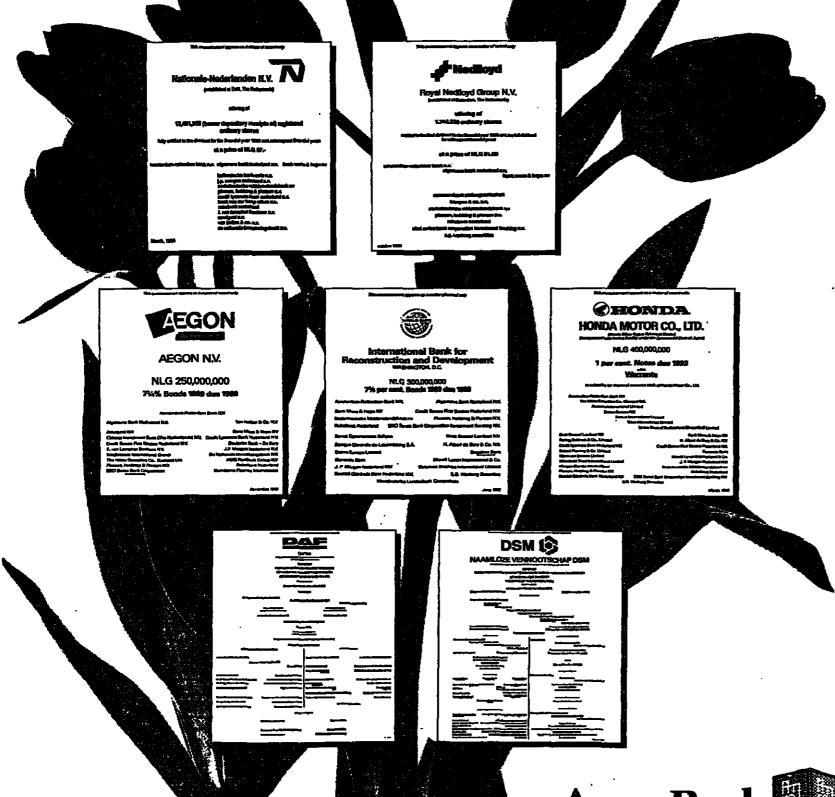
13.80p

£6.03m £15.37m

12.79p

4.10p

Tom Weatherby, Chairman



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#### **TECHNOLOGY**

Chris Sherwell reports on a waste treatment system being pioneered in Australia

# Sewage cleans up in the bath

tion company with a new method of removing pollutants from waste water is facing a tough challenge on Sydney's

sewage system.

Few cities in developed countries could offer a better testing ground than Sydney. Fly over its sandy beaches and you notice the azure blue sea discoloured by outpourings of city sewage. The phenomenon has become a scandal over the past year, since the local press documented incidents of raw sew-

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year, since the local press doc-umented incidents of raw sew-age in the surf and accumu-lated toxins in local fish.

Memtec, which specialises in plastic membrane separations technology, began by concen-trating on small-scale indus-trial pasts treatment and fontrial waste treatment and food clarification. "At the start it was uneconomical to do sew-age, but economical to help with pharmaceutical plants or wine clarification," says Denis Hanley, executive chairman. "We served their needs first and helped ourselves along the

learning curve."

Memiec is installing the system at a A\$2.3m (£1.2m) demonstration plant to treat 3m litres of sewage discharged daily from one of the Sydney Water Board's plants into a polluted river in the Blue Mountains National Park west of Sydney. Under current "primary" treatment practice in Sydney, sewage is typically screened for large objects and allowed to

n Australian filtra-tion company with a new method of tis diluted and dissipated. "Secondary" treatment involves bacterial degradation of organic materials in the sew-age. "Tertiary" treatment entalis further disinfection.

Although the system com-prises simple pumps and pipes, Memtec claims that it provides tertiary treatment of waste water. It filters out all polluting materials — solids and greases, toxic heavy metals and organochlorines, even bac-The process is a complex

form of simple filtration, using the tiny pores in plastic membranes to collect polluting materials in water. Memter has developed techniques for making large lengths of plastic membrane containing a consistent pattern of holes of the desired shape and size. If has also designed a modular sys-tem of pipes containing tubes of this membrane which can handle large volumes of water.

To be effective, these tubes
must be usable over long periods. They have to be cleaned
regularly or the pores block.
Memtec has patented a self-

cleaning process, which lies at the heart of its technology.

The basic unit of the system

total surface area of 10 square metres are sealed into a car-tridge. This is then stacked is a cylinder of polypropylene membrane fibre one half metre in length which is permeated with millions of rhomboidal pores no more than 0.2 of a

micron in size This membrane allows only water to pass; contaminants, including bacteria and viruses, cannot get through. Initially, the membrane serves as the filter, but the trapped material enhances its effect by reducing the size of the pores further. Some 30kms of fibres with a

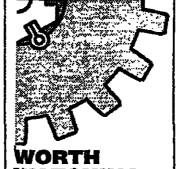
with others in large modules. Sewage is pumped into the car-tridges and made to flow over and around the fibres. Pure water passes through the mem-branes and out of the car-tridges for safe discharge, while pollutants are trapped outside the membrane wall. Because the pores are so tiny, the contaminants cannot

be removed through conven-tional cross-flow methods, which typically involve a tur-bulent back-washing with liq-nids. Memtec's method uses a backwash of high-pressure gas. The gas goes through the tubes in the opposite direction to the pure water. It passes along the membrane and

through its pores, shaking loose the impurities.

The technique works as a result of several factors: the high six-atmosphere pressure of the gas, the fact that it is oxygen (and dry), and the flexi-bility of the membrane, which allows its overall size to expand and the shape of the pores to change.

The company sees the project as the first step in a proposed three-step programme. The second would be a scaled-up plant capable of treating 40m litres a day. If that goes well the system would be installed in a A\$200m project to treat all sewage dis-charged off Sydney's shores.



# WATCHING

Edited by Della Bradshaw

#### Wall that keeps erosion at bay

RISING sea levels, caused by global warming, are threatening to eat away at coast-lines around the world. To help prevent this erosion, a UK firm has patented a method of building a barrier wall more quickly and at lower cost than the usual con-crets barriers — and one which can also be designed to blend in with the local envi-

The frame of the Bastion wall, from Heaco, of Leeds, is made from a heavy-duty wire basket covered with a sheet of textile membrane which does not allow sea-

water to pass through.
It is then filled with locally acquired landfill material such as beach gravel or slag - thereby cutting down on the cost of transporting mate-rial to the site. The structure is topped up with cement. The whole wall is sprayed

with fibre glass, the colour and texture of which can be altered to blend with the surrounding area.

#### Taste is only on the surface

THE surface of food structures, as well as their chemi-cal composition, affects the way they react and blend with

other food particles. That is why Suntory, the Japanese food and brewing company, and researchers at Tokyo University, decided to devise a way of analysing the surface particles of food.

Eventually the technique
could lead to the production
of more effective food flavourings and emulsifiers.

The researchers worked

e experiment.

Alan Cane

on samples of potato starch, wheat flour and rice flour, and tried to change these

starchy materials into porous ones, so they would absorb more flavourings. They did this by heating and treezedrying the starches and mixing them with chemicals, such as ethanol.

They discovered, for example, that when a gel powder made from potato starch was mixed with ethanol, the food particles had more than 100 times capacity to absorb gases containing fragrance components than the untreated potato starch. Yet the gel powder absorbed no more water vapour that the original potato.

#### **Better quality** conversation

TRAVELLING by car at 250 more than just the passen-gers. The quality of the sound on the car phone suffers as

To calculate the effects of shadowing and fading that occur in radio phone calls when the car is traveiling at this speed, the radio division of Philips, PKI, has developed a system to mimic these ects on the next generation of car telephone handsets and infrastructure.

The simulator demonstrates the effects of terrain and climate - as well as the movement - on the digital cellular radio equipment which will come into operation in some European cities in 1991.

PKI, of Nuremberg, is also offering to use this validation system to test digital radio equipment from other manu-facturers.

#### Little engine packs a punch

A MINIATURE engine, less than one inch long and weigh-ing only 3.5 grams, has been developed to propel the latest space rocket — itself only 14 inches in length.

Eight of these finy engines are used to power the light-weight exo-streespheric pro-jectile (Leap), a rocket being developed by Hughes Aircraft for the US Army. When in service, the rocket will be used to track objects moving through space at very high

The pint-sized engines, developed by Marquardt of California, part of the ISC group, each produce one pound (450 grams) of thrust by expelling hot gases from a gas generator in pulses lasting less that a millinecond in length. Hughes has also had to develop a miniscule computer processor to control the rocket. The processor weighs less than an ounce, but can perform over 4m operations per second.

#### Cables and fish make friends

LAYING new telephone cable: ATING help telephone cases across the countryside with-out spoiling the view - by digging ducts or putting up telephone poles - is a head-ache for many belephone

To solve the dilemma GPT developed a cabling system which can be laid on the bed of inland lakes or canals yet has the capacity to carry more than 60 fibres — at many as used in most local telephone networks.

The cable needed to be heavy enough to sink to the bottom of the inland waterway and light enough to be laid by the smaller lake or canal vessels - rather than the ships which lay trans-ocea

The first of the GPT cables is being laid beneath Ullswa-ter in the Lake District.

#### Anti-perspirant for a dry shake

HAVE you ever had the

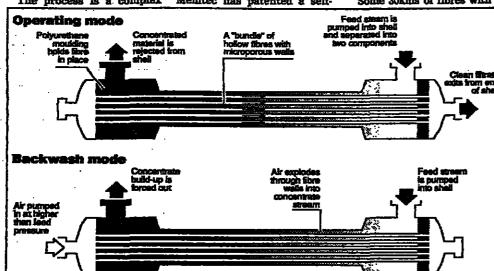
embarrassing problem of sweaty paims? Cosmetic Consultants, of Bath, England, could have the answer. It has developed "Hands Dry", an anti-perspirant gel for that very niche

The unique ingredient in the recipe, which makes it different from off-the-shelf body anti-perspirants, is the

drying agent. instead of forming a sticky coating, Hands Dry forms a smooth film over the skin to keep it dry.

initially the product will be marketed as a sports aid particularly useful for snooker or pool players. But in the Netherlands, where the product is aiready on sale, distributor Ecuri Cosmetice reports that it is proving particularly popular with the sweaty-paimed salesman.

Contacts: Nesco: UK, 0532 498633.
Sentory: Japen, 03 470 1104. Philipe:
West Germeny, 9911 525 4144. Hughes:
US, 318 702 3818. Manquentic US, 818
969 5867. GPT: UK, 0602 430300.
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444181. Ecuri Coemetics: Netherlands,
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# Barclays puts 'experts' on its fraud squad

BARCLAYS Bank is testing an expert system to help prevent card fraud. It is especially intended to stop "pre-block" frands — where the fraudster uses a misappropriated or stolen card to make off with goods or cash before the loss of the card is noticed.

Barclays says a Barclaycard is lost or stolen in the UK once every two minutes. This con-tributes to the bank's overall losses from card fraud in 1988 of £11.3m, or 0.14 per cent of

Barclaycard turnover.

It is a peculiarly serious problem for Barclays because a Barcisycard serves as both credit card and cheque guaran-tee card. If cardholders have

vices on credit and make com-paratively few cheque payments, it may sit idle for weeks or months. Such a card is a prime target for fraud because the owner may take some time to discover the loss. Expert systems require two elements: a body of expert opinion which leads to a set of

no wish to buy goods or ser-

rules; and a way of processing information so that the system appears to give informed answers to enquiries. The system not only gives a weighed view of a situation but can explain the steps which led it to that conclusion.

Barclays worked with consultants Touche Ross to

develop and test the system. develop and test the system. According to Brown, Barclays had already developed a methodology for testing card fraud. Touche Ross, however, had been building its own expert systems methodology called KADS as a co-development under the Esprit initiative funded by the European Commission.

Barclays is confident of its echanisms for blocking the use of a card once its loss has been detected. But it is concerned about fraudulent use of cards before the owners have noticed.

credit vouchers, for example, show that a cardholder who had never before purchased alcohol suddenly used his or her card in an off-licence, the bank rings the owner to ask if the card is safe. The problem lies in the vol-ume of credit vouchers — Im a day. The experiments used less

than 10 per cent of this total.

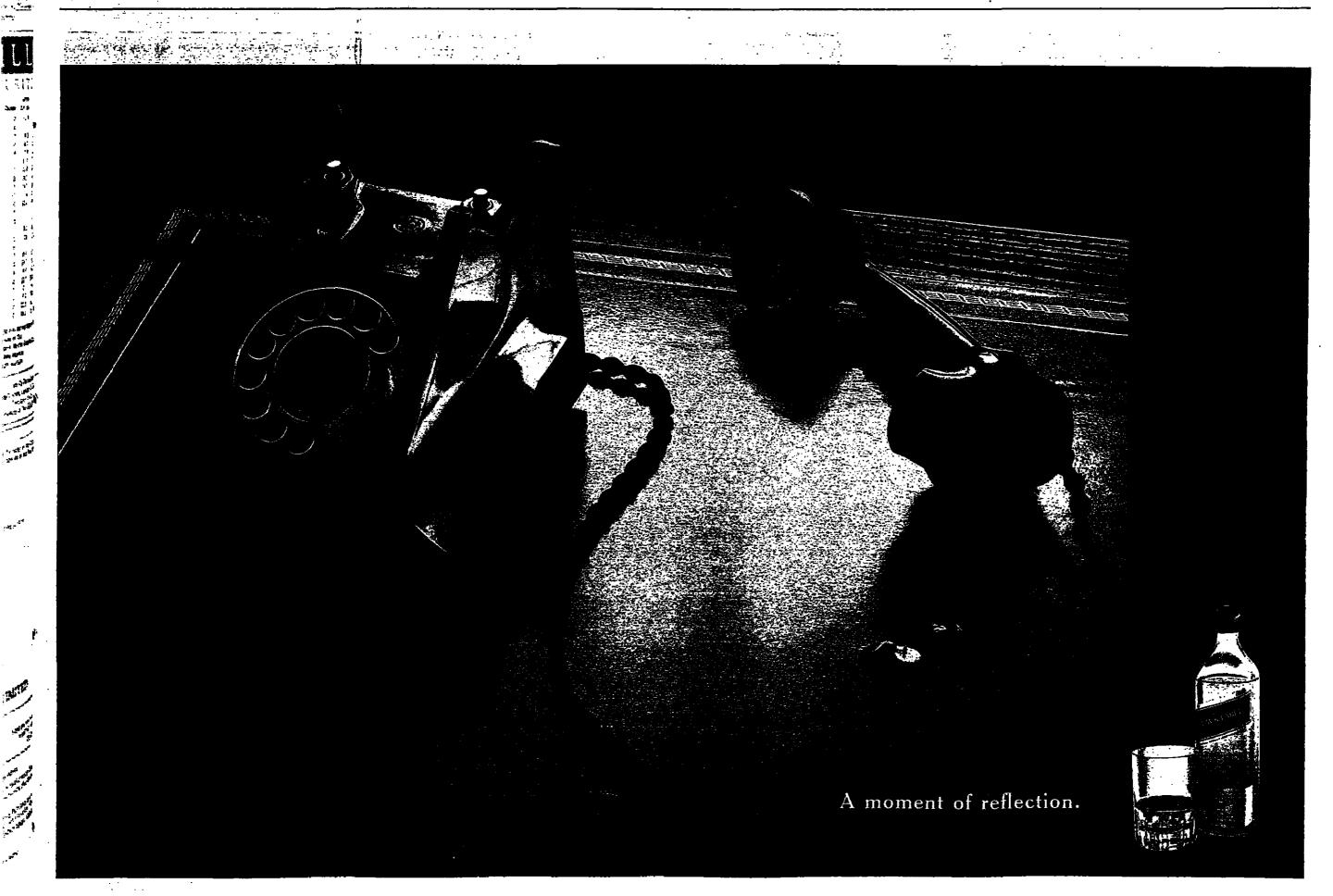
Two computer programs were used: Select, a comparatively simple program which reduces the entire sample to about 5,000; and Assess, which completes the final analysis.

According to Barclays and The technique is simple:

Barclays looks for anomalous assesses the spending pattern transaction behaviour. If the Touche Ross: "The system

determines whether that pat-tern is indicative of fraudulent behaviour. The system is able to do this because it represents both activities normal for valid spending and normal for frandulent spending within its knowledge base. From these it can infer what is normal for a specific cardholder account and assess each particular transaction on the account in these terms."

The success rate in identify-ing fraud at the point of first transaction has increased by up to 15 per cent, representing a saving sufficient to justify continuing the experiment.



# Deal to end border checks on meat EC food

By Tim Dickson in Brussels

A DEAL to abandon health checks on meat and meat products traded between European Community member states was agreed in Brussels by EC Farm Ministers last night.

The accord, which at British, Irish and Danish insistence is conditional on the ultimate eradication of animal diseases throughout the Community, represents a breakthrough in efforts to achieve a single market in this highly sensitive

Under the compromise plan put forward by the French Presidency of the EC and approved by all 12 member states, the aim will be by 1 January 1993 at the latest to replace veterinary controls at frontiers with checks carried out at the point where the meat was despatched and its

final point of destination. Documentary controls on the origin of products would be permitted until 31 December 1992. Mindful of British, Irish and Danish concerns that such a system could lead to imports of diseased meats, the Council also agreed that "the align-ment of the animal health status in the Community shall be accelerated in particular in relation to eradication of foot and mouth disease and swine

"In case the alignment has not been completed before the end of 1992, and taking into consideration the introduction of the rules applicable to imports and the movement of products imported from third countries, the Commission will submit appropriate proposals with a view to safeguard the existing animal health status." Mr John Gummer, Britain's Minister of Agriculture, said last night that this was a crucial caveat which had enabled him to vote for the package. "We have now established absolutely that veterinary checks on all things are about health, not about impeding the single market."

The challenge for the Commission - quite apart from dealing with live animals which are not included in the scope of this directive - will now be to reach full agreement on an EC-wide programme for eradicating the three diseases: foot and mouth, classical swine fever and African swine fever The Commission now accepts that the only way to do this is through the compulsory slaughter of infected herds -

the practice followed in Britain, Ireland, Denmark and Greece - but the general prac-tice in the rest of the Community remains vaccination. The fear of bodies like the National Farmers' Union is that the vested interests of the veteri-nary lobby in rural France may yet frustrate full agreement or full implementation of

The Farm Ministers were last night considering new Commission proposals for monitoring export refunds as part of the fight against agricul-tural fraud. The highlight of today's meeting will be the Commission's presentation of its detailed agricultural position paper for the final stages of the Uruguay Round of the General Agreement on Tariffs and Trade.

# 'mountain' cut down to size

By Tim Dickson

THE VALUE of agricultural stocks in European Community intervention stores has fallen by almost a third, from Ecu4.66bn (£3.4bn) to Ecu1.6bn in the 12 months to September. Several factors are cited by the Commission for the size-able fall, notably the impact of new accounting policies, a significant reduction in the amount of beef in EC stores,

policy for cereals, milk prod-ucts and olive oil. Set beside the Ecu10.57bn valuation of stocks in Septem-ber 1987 the latest figure to some extent reflects the recent reforms to the Common Agri-cultural Policy.

and a "more dynamic" export

A major element, however, is the change in accounting prac-tice, notably the decision taken last year to depreciate surplus foodstuffs after they are taken into storage. This acknowl-edges the difference between the high guaranteed price paid to Community producers and the lower price obtainable for the same goods on world markets.

The latest Brussels figures. for example, show that the total volume of cereals in intervention stores at end September 1988 amounted to 10\_9m tonnes, against 8.96m tonnes a year later, while the value of the same stocks had almost halved over the period from

Ecui.5bn. to Ecus67m.
The quantity of beef in storage fell from 723,000 tonnes to just over 150,000 tonnes, contri-buting to a fall in its value from almost Ecul.6bn to about Stocks of butter - put at

more than 1m tonnes in Sep-tember 1987 and valued at Ecu3.5bn at the time - had come down to 221,000 tonnes and Ecu584m a year later. This September's figures were just 32,000 tonnes and Ecu74.5m.

#### Lead poisoning claim rejected A DUTCH court has rejected a

summary claim for initial damages against Alfred C. Toepfer International, the West German importer of lead-tainted rice bran that poisoned thousands of Dutch and British cows, reports Reuter from Amsterdam. The Fl7m (£2.2m) claim was brought by Rove-grha, which processed the

Change during connes	week ended last Friday)
Aluminkum	+ 10,425 to 53,350
Copper	- 1,125 to 115,875
Leed	+ 1,525 to 23,125
<b>lickel</b>	-762 to 2,558

**US MARKETS** 

# Indonesia and Australia come to terms on Timor Gap oil

By John Murray Brown in Jakarta

INDONESIA AND Australia yesterday signed an agreement on the joint development of the oil-rich Timor Gap, the disputed sea region between Timor Island and Australia's Northern Territory. The agreement signed by the two countries' Foreign Ministers — Mr. Ali Alatas and Mr. Gorath Ali Alatas and Mr Gareth Evans — opens the way for oil and other mineral exploration while talks continue to settle

the border dispute. The accord establishes three ment zones, one administered by Indonesia, one by Australia and the third to be developed jointly. Australia will receive 10 per cent of the tax receipts from the Indonesian zone, and in turn will provide 16 per cent of the Net Resources Rent from its own

zone will be shared 50:50, using Indonesia's production sharing contract terms. The 250 km Timor Gap, which forms the missing sec-

tion of a maritime boundary agreed in 1972, contains the so called Keip area - a huge dome-shaped jurassic rock structure where reserves have been estimated as high as 5hn barrels, which would make it one of the world's two dozen higgest oil fields. Indonesian officials, how-

ever, are anxious to play down its potential. A ministerial report states that "results of the exploration up to the present cannot be considered suc-cessful because only a few indications of gas and condensate in small quantities have been

zone. Revenues from the joint found, and are therefore not economical."

Indonesia's zone is also in deep water, making develop-ment that much more expensive. The main interest is expected to come from companies operating from Australia, where the tax regime is considerably more liberal. Even using more conservative estimates in terms of Australia's overall reserves the Timor Gap could

prove a major development. BHP - Australia's largest company — is lifting around 42,000 barrels a day from four wells in the nearby Jabiru field, 200 km south of the disputed area, where reserves are estimated at 100m barrels. Australian officials expect contract bidding on the disputed zone to start in 1991.

# Europe's indigestible greenery

'Green' exchange rates are as unpopular as they are unfathomable

ber of Parliament was promoted from the back benches to be a junior agriculture minister. Almost pitchforked into detailed nego-tiations of the Common Agri-cultural Policy and farm prices. Before he went to Brus-sels he decided he had better be briefed. The top Whitehall man on green currencies and monetary compensatory amounts was called to our hero's new office and the explanations began.

After many hours of concentrated tuition, as the new minister thought he was beginning to get a grasp of some of the complications, he asked his tutor, "how many UK farmers do you reckon actually under-stand all this?" "Oh," said the civil servant,

"about three I should think." "Do you mean 3 per cent?" asked the minister. "No," came the reply, "just I do not claim to be one of

those three. Indeed my eyes tend to glaze over when I am told of the 40 or so green rates spread across 12 different cur-rencies within the EC that are used to convert farm support prices from European currency units to French francs, Deutsche marks, sterling or whatever and I try to concentrate on the result rather than the

In order to appreciate even that, however, it is necessary to understand the concept of green currencies, which is crucial to the operation of the Common Agricultural Policy. Every spring the Council of levels for farm commodities across the Community. The prices are set in Ecus and then converted into the currencies of the countries concerned.



By David Richardson

But national currencies fluctuate (even when they are members of the European Mon-etary System), and to protect consumers in weak currency countries from automatic rises in food prices so-called "green" rates of exchange are used, which do not follow the foreign exchange markets.

This green currency system itself would have a distorting effect on intra-community trade were it not for the "monetary compensatory amount" mechanism, which compensates for varying gaps between "green" rates and real rates. An exporter of farm products from a weak currency country like the UK to, for example, West Germany, where the real currency is above the green rate, is charged an MCA levy. Conversely, a German export-ing to Britain receives an MCA

In the absence of any automatic adjustment to green currency rates, changes in their levels must result from political decisions in which the interests of farmers have to be balanced against those of consumers. Thus, in the past few months, while sterling's value system has held UK support prices down and pushed up MCA levies on British exports.

Meanwhile inflation and bank interest rates in Britain.

COCOA - London FOX

both much higher than in most of our main competitor coun-tries in the EC, have pushed up input costs and left UK farmers at a serious disadvantage.

The green pound gaps vary by commodity because of dif-ferent rates of dismantlement of the system but they never-theless represent the amounts by which UK farmers feel they are disadvantaged. Last week they averaged 17.2 per cent for arable products, 12.6 per cent for beef, 8.7 per cent for pig-meat, 17.2 per cent for poultry meat, 16.3 per cent for dairy produce and 22.4 per cent for

It came as no surprise last week therefore when Sir Simon Gourlay, president of the National Farmers' Union, demanded a substantial across-the-board devaluation of the green pound to remove at least part of this penalty. Mr John Gummer, Britain's

Minister of Agriculture refused even to discuss the possibility publicly. He was doubtless aware, however, that his predesor at Whitehall, Mr John MacGregor, had attempted to halve the green pound gap last April, in preparation for their total abolition and monetary union in 1992. Since then sterling has depreciated from DM3.18 to DM2.95 and the green gaps have grown even wider than they were in The result is that UK farm-

ers receive less for most of what they produce than almost any others in the Community. Industry borrowing has risen to a new high of around of 27bn, which is about half annual turnover, and interest of gross farm income.
Investment by farmers in

new plant and equipment has fallen by almost 50 per cent

over the last five years in com-

LONDON METAL EXCHANG

Entonne

parison with a decline in France and Germany of a more modest 20 per cent. The inescapable conclusion must be that the efficiency of British agriculture is declining com-pared with our continental

So much for the "Common" Market. So much for the "level playing-field" Mrs Thatcher and her ministers insist on before Britain joins the EMS. The reply from the Government will almost certainly refer to a predicted small rise in farm incomes this year, largely as a result of favoura-ble weather and good crops. That may be the case, but any improvement will be from a very depressed level. The NFU points out that average farm income in 1988 was 52 per cent of the average of the last 15 years in real terms, while expectations for 1989 are that

per cent of the 15-year average. And although ministers might be reluctant to admit as much, the trend of opinion polls and the relative unpopularity of the Prime Minister, together with the fight against inflation, are bound to make them jib at taking any action which would put up food

income will be no more than 60

Once again, however, the size of any increase in the RPI as a result of a green pound devaluation should be put into perspective. A 10 per cent devaluation of the green pound across the board would raise consumer prices by less than 1

That same act however LIER WAREHOUSE STOCKS would increase UK commodity support prices by £600m and ers that the Government is not totally complacent about the sorry state of their industry, as Sir Simon Gourlay alleged last

WORLD COMMODITIES PRICES

(Prices supplied by Amalgamated Metal Trading) High/Low AM Official Kerb close Open Interes

#### Specialists lose grip on coal trade By Maurice Samuelson

THE GROWING international trade in coal is overwhelmingly in the hands of compafor which coal mining is only a secondary activity, according to a study of 90 companies in the non-Communist

The study, by Sheffield Energy & Resources Informa-tion Services, compares this with the situation 25 years ago when nearly all coal was pro-duced and sold by specialised coal companies.
Of the 90 companies covered,

only 18 are dedicated coal companies which depend on coal sales for at least 90 per cent of their revenue and only four more realise more than half

their revenue from coal.

The study finds that the international trade is dominated by diversified energy corporations, metal mining and processing companies and highly diversified companies the principal activities of which are in manufacturing, services and farming. These companies together

account for 80.3 per cent of the coal exports identified in the study and at least two thirds of the total coal trade outside the Communist world. British Coal, Exxon and

Peabody have the higgest coal reserves. In the case of Exxon, coal reserves are equal to 4.5bn tonnes of oil, about four times

its net proven oil reserves in terms of production, British Coal is second only in size to

Coal India.
Last year, BHP of Australia,
with 20.6m tonnes, exported more than any other company in the world. Shell and Du Pont (owner of Consolidated Coal in the US) occupied second and third places with 15.4m and 12.7m tonnes respec-

tively.

BHP also showed the biggest increase in coal exports Coal Companies Worldwide: Competition and Performance Indicators. SERIS, 103 Carter Knowle Road, Sheffield S7 2DY.

#### Brazil seen stalling coffee pact progress

By David Blackwell

COFFEE MARKETS will have to wait until the political situa-tion in Brazil has settled down after March next year before any visible progress is made towards a revived export quota system, according to E.D. & F. Man, the London trader.

By the time the transition from one government to another has been completed, the availability of coffee from the world's biggest producer will also be clearer, says Man in its latest coffee market

report.
Little progress has been made recently in spite of major meetings of producers in Costa Rica, Kampala and Bali. "The limited impact of these

events on coffee prices can be attributed to the cynicism of ress on fundamental differences so that whilst talks began in a triumphant appeal to producer solidarity, they ended in a somewhat defeated

'cordial disagreement' over the ing a new agreement to be future of the ICA," says Man. resumed as soon as possible to Rossters are expected to con-tinue their policy of hand-to-mouth buying through the winter roasting period. However, Man expects politi-cal lobbying to continue in the

US "and any new initiatives will be watched closely by other member consumers. The political will is thus evident now, but practically we are still far from plans for a rein-troduction of quotas."

Meanwhile, the EC, af the end of the Strasbourg summit on Saturday, called for negotia-

tions on a new coffee pact to start as soon as possible. The leaders' statement said that everything should be done to help the fight against drugs by Colombia and other countries. "The European Council reaf-firms in this connection the need for negotiations within the International Coffee Organ-

isation with a view to conclud-

CRUDE OIL IL John 42 000 US guils \$/barrel

Latest

resumed as soon as possible to ensure income for the producers in those countries," the

Tomorrow in Washington the first meeting takes place of the Coffee Consumers Caucus a consumer group formed to keep an eye on US policles affecting key world producers and the international agree-The founders believe the US

coffee market is governed by the commercial interests of a few coffee roasters interested in getting coffee at the lowest price. They also criticise the relationship between US coffee policy and other policies, such as the war against drugs.
"How can the Bush Adminis-

cial halp to Colombia's strug-gle against illegal drugs while allowing its earnings from coffee exports to shrink by \$400m?" asked one last week.

Previous High/Low

Previous High/Lou

Previous High/Low

566/0 599/0 610/9 618/6 620/0 614/0 616/6 626/4

19.28

19.43 19.87 20.28 20.52 20.55 20.55 20.55

182.5 183.3 183.5 184.7 185.6 188.0 185.6

High/Low

415/4 415/0 981/4 981/0 986/0 976/0

High/Low

Highto

High/Lo

410/4 471/0 387/2 357/0 382/4 373/0

50.57 47.76 43.65 40.90 47.45 46.50 43.52 45.45

50.45 49.90 49.90 49.85 48.25 55.97

578/4 592/0 603/0 612/4 612/4 609/0 611/4 622/0

Chicago

#### **LONDON MARKETS** GAS OIL prices on the IPE continued their surge on the back of cold weather

and low water levels in the Rhine. Oil prices were also well ahead. On the buttion market gold advanced strongly - more on the back of better sentiment than on any specific outside factors, dealers said. A test of last month's peak of \$421 is expected soon "The market is largely feeding on itself," one dealer said. On the LME copper prices weakened again, ignoring the small drawdown in stocks in LME warehouses. The market is now testing the sensitive dollar support base around \$2,360, the breach of which would indicate a decline to \$2,310, analysts said. A rise of more than 10,000 tonnes in LME siuminium aluminium below \$1,600 a tonne. Lead prices fell on trade selling and

INQUIDATORI ALERI MASL WI	OCK & BUILD	<b>3.</b>
SPOT MARKETS		
Crude of (per barrel FOB)		+ or
Dubel Brent Blend	\$18.85-7,00z \$19.45-9,50z	
W.T.L (1 pm est)	\$20.77-0.80z	
Oil products		
(NWE prompt delivery per to		+ cr
Premium Gasoline Gas Oil	\$190-192 \$223-224	+6
Heavy Fuel Oil	\$117-119	+4 +6
Naphina Petroleum Argus Estimatas	\$174-175	70
Other		+ or
Gold (per troy oz)-	\$410.75	+6.50
Silver (per troy oz) P Pigünum (per troy oz)	573c \$506.90	+9
Palladium (por troy oz)	\$140.45	05
Aluminium (free market)	\$1605	-80
Copper (US Producer) Lead (US Producer)	1095 <sub>3</sub> -112e 39.5c	
Nickel (froe market)	400c	-5
Tin (Kuele Lumpur merket) Tin (New York)	17.79r 312c	+.03
Zinc (US Primo Western)	73 kc	T-
Cattle (live weight)†	116.84p	+ 1.66
Sheep (deed weight)†	209.45p 85.57p	+ 1.96
Pigs (live weight)†	\$333.0x	
London daily sugar (rew) London daily sugar (white)		-1.6 -2.0
Tate and Lyle export price		-1.5
Barley (English feed)	£116.5	+.5
Maize (US No. 3 yellow) Wheat (US Dark Northern)	£129.5 £129.25	5
Rubber (spot)♥	55.25o	25
Rubber (Jan)♥	57.75p	-25
Rubber (Feb)♥	58.750	-25
Rubber (KL RSS No 1 Jan)	_	5
Coconut oil (Philippines)§ Palm Oil (Malaysian)§	\$417.5x \$265.0	-25 -25
Copra (Philippines)§	5280	
Soyabeans (US)	£170.5 78.160	+ 1.5 - 60

>cents/ib. r-ringgit/kg. y-Oct. x-Dec/Jan. i-Jan Mar. v-Nov/Dec. w-Dec. z-Jen fMeat Commis week ago. Vl.ondon physical market. SCIF Reterdem. 

Buillon market close. m-Mulaysian

Dec Mar	Close	Prévious	High/Low	
Mar	670	654	670 860	
	652	652	655 651	
May	663 877	663	588 682 880 678	
Juli Sep	677 692	677 693	880 676 886 882	
Dec	716	717 .	720 715	
Mar	785	736	740 735	
icco i	8r: 1874 (3 ndicator o	rices (SDF	f 10 tonnes la per tonne	LD
price fo	r Dec 11	764,87 (756	L88):10 day a	rver:
OF DEC	12 756.31			
CUFFE		lon FOX		Citor
Jan	Close 667	Previous 664	670 585	
Mar	671	661	873 666	
May Jul	684 698	677	684 678 699 694	
Sep	716	690 706	716 712	
Nov Jan	735 756	728 748	735 731 755 753	
CO loc	er: 20162 (2 Montor on	1960) lots o ces (US c	ents per pou	md)
Dec 8: (	Comp. dali		.02). 15 day a	
81.25 (C				_
	1 — Lond		(5 per	E)N
Raw	Close	Previous	High/Low	
Mar May	300.20 300.40	302,20 302,40	303.80 299.1 304.00 300.0	90 Yn
Aug	299.00	301-20	302.20 299.0	20
Oct	291.00 288.00	292.80 290.40	284.00 291.0 288.00 288.0	
			280.20 277.0	
	277,00	277.00		~
	277,00 Close	Previous	High/Low	
Mar Phile				
Mar Mar May	Close 372.00 378.00	975.00 381.00	High/Low 375.00 371.0 380.50 377.0	90 50
Mar Mar May Mug	Ctose 372.00	Previous 375.00	High/Low 375.00 371.0	90 50
Mar Mar May May Oct Dec	372.00 378.00 386.00 359.00 347.50	975.00 381.00 381.50 381.50 361.50 349.00	375.00 371.0 380.50 377.0 380.50 384.0 381.00 389.0 349.00 347.1	90 90 90 90 90 90
Mar White Mar May Aug Oct Dec Mar	772.00 373.00 378.00 386.00 359.00 347.50 347.50	975.90 381.00 388.50 361.50 349.00 349.00	375.00 371.0 380.50 377.0 380.50 377.0 388.00 384.0 361.00 366.0 349.00 347.1 348.00 348.0	00 50 00 06 50
Mar May Aug Oct Dec Mar Turnove White 1	772.00 378.00 388.00 359.00 347.50 347.50 arr. Raw 1 1157 (328)	975.00 381.00 388.50 361.50 349.00 349.00 947 (1345)	High/Low 375.00 371.0 380.50 377.0 388.00 387.0 361.00 369.0 349.00 347.1 348.00 346.8 lots of 50	00 50 00 00 50 50
Mar White Mar May Aug Oct Dec Mar Turnove White 1 Paris-	Close 372.00 378.00 388.00 359.00 347.50 347.50 ar: Raw 1 1157 (328) White (FF	Previous 375.00 381.00 388.50 381.50 349.00 349.00 947 (1345)	High/Low 375.00 371.0 380.50 377.0 388.00 384.0 361.00 369.0 349.00 347.1 348.00 348.8 lots of 50	00 50 00 50 50 50
Mar Mar May Aug Oct Dec Mar Furnove Paris 1 2230, A	Ctone 372,00 378,00 388,00 359,00 347,50 347,50 ar: Raw 1 1157 (328) White (FF	Previous 375.00 381.00 388.50 381.50 349.00 349.00 947 (1345) r per tonin oct 2190, D	High/Low 375.00 371.0 380.50 377.6 388.00 384.6 361.00 386.0 349.00 347.5 348.00 346.6 lobs of 50 help: Mar 224 lec 2125, Mar	00 50 00 50 50 50 50 50 50 100 100 100 1
Mar Mar May Aug Oct Dec Mar Furnove Ahriso 1 2290, A	Close 372.00 378.00 388.00 359.00 347.50 347.50 ar: Raw 1 1157 (328) White (FF	Previous 375.00 381.00 388.50 381.50 349.00 349.00 947 (1345) r per tonin oct 2190, D	High/Low 375.00 371.0 380.50 377.6 388.00 384.6 361.00 386.0 349.00 347.5 348.00 346.6 lobs of 50 help: Mar 224 lec 2125, Mar	00 50 00 50 50 50
Mar Mar May Aug Oct Dec Mar Furnove Ahriso 1 2290, A	Ctone 372,00 378,00 388,00 359,00 347,50 347,50 ar: Raw 1 1157 (328) White (FF	Previous 375.00 381.00 388.50 381.50 349.00 349.00 947 (1345) r per torm oct 2190, D	High/Low 375.00 371.6 390.50 377.6 390.00 384.0 381.00 368.6 349.00 347.5 348.00 348.6 lots of 50 help: Mar 224 lec 2125, Mar	00 00 00 00 50 50 50 50, A
Mar Finite Mar May Aug Oct Dec Mar Furnove Affrice 1 Paris- 1290, A	Ctone 372.00 378.00 388.00 389.00 347.50 347.50 347.50 347.50 White (FF ug 2350, ( Close 19.12	975.00 381.00 381.50 381.50 349.00 349.00 947 (1345) r per tonir Oct 2190, D	High/Low 375.00 371.0 390.50 377.0 390.50 377.0 388.00 384.3 381.00 389.0 349.00 347.2 445.00 346.5 hots of 50 het; Mar 224 hec 2125, Mar 19.15 19.	00 50 00 50 50 50 5, A 7 212
Mar Finite Mar May Aug Det Mar Curnove Affilia 2290, A	Close 372.00 378.00 388.00 389.00 347.50 347.50 arr. Raw 1 157 (328) White (FF ug 2350, (C	Previous 375.00 381.00 381.50 381.50 381.50 349.00 947 (1345) r per torre 0xt 2190, 0	High/Low 375.00 371.6 388.00 388.6 381.00 368.6 349.00 347.1 348.00 348.5 lobs of 50 100; Mar 284 loc 2125, Mar 18.15 19 18.15 19	00 50 50 50 50 50 5, A 7 21/2
Mar Finite Mar May Aug Oct Dec Mar Furnow Africo 1 Paris- 2290, A CMBSDe Feb	Close 372.00 378.00 378.00 388.00 389.00 347.50 347.50 arr. Raw 1 157 (328) White (FF 49 2350, ( 1 ORL — 8 18.85	Previous 376.00 381.00 381.50 389.50 381.60 349.00 349.00 349.00 7 per tonir Oct 2190, D 18.65 18.60 18.35	High/Low 375.00 371.0 390.50 377.0 390.50 377.0 388.00 384.3 381.00 389.0 349.00 347.2 445.00 346.5 hots of 50 het; Mar 224 hec 2125, Mar 19.15 19.	000 500 000 500 500 55, A 7 212 8/bas 779 62
Mar Bride Mar May Aug Oct Dec Mar Furnove Africo 1 Pario- 1 2290, A CHISCO Feb Aar Apr PE Ind	Close 372.00 378.00 378.00 388.00 389.00 347.50 347.50 arr. Raw 1 157 (328) White (FF 49 2350, ( 1 ORL — 8 18.85	Previous 375.00 381.50 381.50 381.50 381.50 3849.00 349.00 349.00 1947 (1345) r per tonir Oct 2190, D 18.85 18.85 18.85 19.32	High/Low 375.00 371.6 390.50 377.6 390.50 377.6 390.00 384.0 349.00 345.5 445.00 345.5 lots of 50 lots of 50 l	000 500 000 500 500 55, A 7 212 8/bas
Mar  Phile  Mar  May  Aug  Dec  Var  Curnove  Tello  And  CMAR  CMAR  Tello  Te	Close 372.00 378.00 388.00 389.00 389.00 347.50 ar: Raw 1 157 (328) White (FF Ug 2350, (Close 19.12 18.65 18.65 19.12	Previous 375.00 381.50 381.50 381.50 381.50 3849.00 349.00 349.00 1947 (1345) r per tonir Oct 2190, D 18.85 18.85 18.90 18.35 19.32	High/Low 375.00 371.6 390.50 377.6 390.50 377.6 390.00 384.0 349.00 345.6 445.00 346.6 460 2125, Mar 224 460 2125, Mar 19.15 19. 18.83 18. 18.67 18.	00 50 50 50 50 50 50 50 50 50 50 50 50 5
Mar  Phile  Mar  May  Aug  Dec  Var  Curnove  Tello  And  CMAR  CMAR  Tello  Te	Close 372.00 378.00 388.00 389.00 389.00 347.50 arr Raw 1 157 (328) White (FF Ug 2350, (Close 19.12 18.65 18.67 19.12 arr 6705 (8	Previous 375.00 381.00 381.50 383.50 381.50 3849.00 349.00 349.00 1947 (1345) r per tonir oct 2190, D 18.85 19.85 19.32	High/Low 375.00 371.0 390.50 377.0 390.50 377.0 390.00 384.0 349.00 345.0 445.00 346.0 460 2125, Mar 224 460 2125, Mar 19.15 19. 18.83 18. 18.67 18.	90 90 90 90 5, A 7 212 7 90 90 90 90 90 90 90 90 90 90 90 90 90
Mar Mar Mar May Det Mar Gumowa Mhite 1 Paris- 2290, A CMARCS Mar Lore Ind Gurnova	Close 372.00 378.00 388.00 389.00 389.00 347.50 arr. Raw 1 157 (328) White (FF Ug 2350, (Close 19.12 18.85 18.97 ex 19.12 close Close	Previous  375.00 381.50 383.50 383.50 381.50 349.00 349.00 349.00 477 (1345) r per tonin oct 2190, D 18.85 19.82 19.32 Previous	High/Low  375.00 371.6 390.50 377.6 390.50 377.6 390.50 384.0 384.00 384.0 349.00 349.2 lots of 50	000 000 000 000 000 000 000 000 000 00
Mar	Close 372.00 378.00 388.00 389.00 389.00 347.50 arr. Raw 1 157 (328) White (FF Ug 2350, (  I OFL — 61 18.65 18.67 19.12 arr. 6705 (8	Previous 375.00 381.50 381.50 381.50 381.50 349.00	High/Low 375.00 371.0 390.50 377.0 390.50 377.0 390.00 384.0 349.00 345.0 445.00 346.0 460 2125, Mar 224 460 2125, Mar 19.15 19. 18.83 18. 18.67 18.	000 000 000 000 000 000 000 000 000 00
Mar Phile Mar August Mar August Mar August Mar	Close 372.00 378.00 388.00 389.00 389.00 347.50 arr. Raw 1 157 (328) White (FF Ug 2350, (  Close 19.12 18.65 18.67 19.12 arr. 6705 (8 IL — BF Close 213.75	Previous  376.00 381.00 381.50 383.50 381.50 3849.00 349.00 349.00  18.85 18.85 19.32  Previous  203.75 191.25	High/Low 375.00 371.6 380.50 375.6 388.00 384.6 381.00 389.6 349.00 345.6 lots of 50 lots of 50 lot	900 900 900 900 900 900 900 900 900 900
Mar  Phile  Mar  May  Aug  Dec  Var  Curnove  Tello  And  CMAR  CMAR  Tello  Te	Close 372.00 378.00 388.00 389.00 397.50 377.50 arr. Raw 1 157 (325) White (FF 40g 2353) ( 6081 — 88 19.12 18.85 19.12 18.87 19.12 18.87 19.12 18.97 19.12 18.97 19.12 18.97 19.12 18.97 19.12 18.97 19.12 18.97 19.12 18.97	Previous  376.00 381.00 383.50 383.50 381.50 3849.00 349.00 349.00 349.00 1847 (1345)  Previous  18.50 18.35 19.32 203.75 191.50 178.25	High/Low 375.00 371.0 390.50 377.2 390.50 377.2 388.00 384.3 381.00 386.3 389.00 347.2 ioi: Mar 224 ioi: Mar	000 000 000 000 000 000 000 000 000 00
Mar Mar Mar Mary Mary Mary Mary Mary Mar	Close 372.00 378.00 388.00 389.00 389.00 347.50 arr. Raw 1 157 (328) White (FF Ug 2350, (  Close 19.12 18.65 18.67 19.12 arr. 6705 (8 IL — BF Close 213.75	Previous  376.00 381.00 381.50 383.50 381.50 3849.00 349.00 349.00  18.85 18.85 19.32  Previous  203.75 191.25	High/Low 375.00 371.6 380.50 375.6 388.00 384.6 381.00 389.6 349.00 345.6 lots of 50 lots of 50 lot	000 000 000 000 000 000 000 000 000 00

Atumin	<b>100, 69.</b> 7	% purity (\$	per lonne)			Rk	ng turn	over 44	,825 tonne
Cash 3 monti	1594 1602		654-6 657-8	1607 1650/1602	1607-8 1617-9	1608-		34.10	00 iots
Copper	Grade /	(£ per ton	ne)						975 tonne
Cash	1493		1516-8	1515	1512-3				
3 mont			S25-0	1536/1514	1526-7	1515	_		8 lots
Cash	per tonn		163-4	480	458-9		ng wate	DVBF TU	,525 tonne
3 mont			46-6.5	445/428	444-5	429-3	Ħ	11,36	9 lots
Mickel (	S per ton					R	ing turn	nover 1,	,182 tonne
Cash 3 monti	8800 8175 as	-900 8 -200 8	750-800 195-200	8750/8700 8250/8150	8850-700 8150-200	8150-	280	7,624	lots
	er tonne)								670 lorung
Cash	6775		690-700	6705	6710-20		_		
3 month			(785-00 per lonne)	6875/6810	6815-25	6835-		6,710	.975 tonne
Cash	1490	-500 1	510-5	1505/1500	1469-500				
3 month			405-10	1400/1375	1305-400	1400-		_	8 lots
	per tonne		400.00			R	ing turr	lover 4,	750 tonne
Cesh 3 monti	1460 ns 1370	-80 1	480-90 390-400		1450-70 1380-80	1370-	80	1,787	lots
LME C	ceing 12/4							<del>.</del>	
SPOT: 1	-5685		months: 1.56	<del>40</del>	6 months:	1.5380		9 mont	hs: 1.5172
POTAT	0ES - I	FE		<b>E</b> fforme	LONDON SI		ARKET		
	Close	Previous	High/Low		Gold (fine oz	) \$ price		£ equiv	alent
Apr May	211.0 236.0	210.9 235.4	211.0 210.	,          .	Close	4162-417		262 <sup>1</sup> 4-2	
Nov	110.0	120.0			Opening Morning fix	412-413 414.00		261-261 261.364	
Turnove	w 35 (136	) lots of 4	tonnes.	<del>-</del>	Afternoon fix	415.50		261.403	
					Day's high Day's low	418 \ -417 412 \ -413	i,		
SOYAL	Close	AL - BF6 Previous		\$/tonne	Coins	\$ price		equiv	alent
Feb	141,50	143.00	High/Low 141,50		Mapleleat	424-429		267-270	
Apr	141.30 139.00	142.50 139.50	141,30 139,00		Britannia US Engle	424-429 424-429		257-270 267-270	
	_	Total of 20			Angei	42412-429	l <sub>2</sub>	287 2-2	701 <sub>2</sub>
					Krugerrand New Sov.	414-417 96-98		280 4-2 80½-61	© & 1 <sub>2</sub>
FREIGH	IT FUTU	7455 - BP	\$10/Inc	iex point	Old Sov. Noble Plat	96-98		60 ½-61	12
	Close	Previous	High/Low			513.00-521		323.65-8	
Dec Jan	1607	1609 1641	1605 1603		Silver fix	p/fine oz		US CEB	equiv
Apr	1644 1656	1656	1644 1641 1657 1653		Spot 3 months	357,25 370,30		565,90 577,55	
Jul BF1	1403 1903	1385 1606	1603		6 months	383.60		560.05	
Turnove	r 85 (147	, -			12 months	405.60	•	511.50	
		•			TRADED OF	TORS			
<u> GRAIN</u>	- BPE			£/tonne	Aluminjum (8	9.7%)	Çaliş	1	Puts
Wheet	Close	Previous	High/Low		Strike price \$	tonne Jan	Mar	Jen	Mar
Jen Mar	113.50	113.80	113.75 113		1500	107	121	2	21
May	116.70 120.15	116.90 120.35	116.90 116. 120.35 120.	.10	1500 1700	32 4	80 25	26 97	58 120
Juni Sep	121.55 106.15	121,90 106,15	121.80 121. 106.15	75	Copper (Greek	le Al	Calls		Puts
•					2300	101	131	18	
Berley	Close	Provious	High/Low		2400 2500	42	81	50	114
Jan	112.10	111.80	112.15 112	10		24	62	90	<del></del>
Mar May	113.75 116.25	113.75 115.00	113.90 113. 115.25 115.	76	Collee	Jan	Mar	معل	Mer
Sep	103,25	103.26	105.25		600 860	68	78		8
Turnove	. Wheat	253 (92), B	eriey 123 (1	39).	700	19 1	44 24	5 36	24 54
· UITROVE	1002 04	100 tonnes	•		Coope	Mar			May
Piĝs -			anh Carri	-4-5-	600	65	81	14	19
	Cicse		esh Settleme	ad bad	650 700	35	<b>5</b> 1	34 66	39 67
Feb	109.0	Previous 109.0	High/Lew	—		17	29		<del></del>
Apr	109.0	109.8	109.0		Brent Crude	Feb	Mar	Feb	Mar
Jun Aug	110.5 109.0	110.3 110.0	110.5		1800 1850	117	104	3,	18
		ots of 8,250	) kg		1800	80 42	71 44	11 28	35 58

		•				Lesteat	Previous	∟ High/Lo	<b>.</b>	·	<del></del>		<u></u>
				s had the	.ian	20,81	20.46	20.82	20.53	- SOY	ASEANS 5	,000 bu min;	cents/t
				e peaked	Feb	20.59	20.32	20.62	20.39 .	—	Close	Previous	High
			ember, n		Mar	20.41	20.17	20.41	20.24	Jen	679/0	579/0	5864
			mbert. To	echnical er prices	Apr May	20.20 20.05	19.98 19.82	20.20 20.05	20.05 19.87	Mar	592/2	592/0	599/
			ce at 410		أنظ	19.70	19.50	19.74	19.60	May	603/4 613/0	602/6 611/0	610A 618A
				d's strong	Sep	19.41	19.21	19.41	19.33 -	. Jasi Aug	618/2	613/2	620/
			um and (							Sep	609/4	606/0	614/
			he softs.				:			Nov	612/2	610/6	616/
			ading be		HEA	TING OIL	42,000 US g	elis, cents	/US gaits	- Jan	622/4	622/0	626/
closi	ing sligh	ntly lowe	r. Cocos	l Was		Letest	Previous	High/Lo	w .	SOY	REWI OIL	. 60,000 lbs;	cents/it
			fund sho		Jan	8795	8637	6805	6725	•	Close	Previous	High
			e and ro		Feb	6515	6433	6560	6480	Dec	18,97	19.03	19.25
			The Mar		Mar	6080	6022	6110	6040	Jan	19.11	19.19	19.43
			close a	t /8.46. imit down	Apr May	5675 5430	5862 5382	5705 5440	5625 5410	Mar May	19.56 19.97	19.63 20.03	19.87
			lies. Liv		Jun	5220	5234	5900	5250	Jul	20.25	20.20	20.20 20.63
			by the le		لتبال	5250	5174	5250	5225	Aug	20.26	20.17	20.5
belli		~ 00011	Dy 210 1	· ·						Sep Oct	20.30	20.17 20.20 ·-	50-60
											20.32		20.5
Ne	W Y	ork			000	DA 10 tons	nes:\$/tonne	5		90Y/	WEAK ME	AL 100 tons	\$/ton
						Close	Previous	High/Los	<del></del>		Close	Previous	Hilgh
GOTT		oz.; S/troy	OZ.	-	Dec	974	982	964	973	Dec	180.6	179.7	182.0
	Close	Previou	s High/L	¢w	Mar	948	946	949	933	Jan Mar	180.7	180,0	182.
Dec	416.8	411.8	418.0	413.5	May	957	950	957	940	May	181,7 182,2	180.9 181.9	183.5 183.6
Jan	419.3	414.4	418.0	418.0	ُ أييل Sep	970 988	965 961	970 988	955 975	_البيار	183.2	183.0	184.7
Feb Apr	421.8 426.8	416.6 421,8	423.9 429.1	417.8	Dec	1009	1008	1006	1002	Aug	183.5	183.8	185.5
Jun	432.0	428.8	434.0	423.0 428.1	Mar	1026	1022	1016	1016	Sep Oct	184.5 184.2	184.6 183.7	188.0
Aug	436.8	431.6	438.3	437.0	May	1039	1035	0	0.				185.6
Oct Dec	441.9 447.1	438.5 441.7	0 449.0	0 442.5								min; cents/t	
Feb	462.5	447.0	452.3	442.5 462.8			•				Close	Provious	High/
PLAT	MUN 50 W	roy oz, S/to	roy qz		COFF	ZE "C" 37	,500tbs; car	nts/Ebs		Dec Mer	235/0	298/2	237/6
	Close	Previous	<del></del>	<u> </u>	•	Ciose	Previous	High/Lou	,	. May	240/0 244/4	240/8 245/0	242/0
					Dec	75.05	74.75	HIGH	74.90	- Jul	247/4	240/U 247/8	246/4 249/8
Dec Jen	511.2 515.2	541.7 509.7	512.0 517.8	512.0 511.0	Mar	78.87	78.46	75.75	78.80 78.80	Sep	243/0	242/4	245/4
Apr	519.2	514.8	521.5	515.5	May	80.95	80.50	79.40	80.70	Dec Mar	243/0 250/0	241/2 248/2	244/4
Jul Oct	524.0 530.0	519.3	<i>527 .</i> 0	521.0	Jul Sep	83.16 85.38	82.60 85.00	81.30 83.40	83.00 85.00			248/2	251/0
		525.5	532.0	530.0	Dec	85.20	88.00	85.70	86.00	WHEN.	1 6,000 bu	mirt; centu/	50fb-bu
SELVE		cy cz; cen	19/troy 92.		Mar	90.00	89.63	88.75	0 .		Close	Previous	High
	Close	Previous	High/Lo	)eu	May	91.00	92.25	0	0	Dec	413/4	410/2	415/4
Dec	589.2	564.4	574.0	566.0	•					Mar May	413/4	409/6	415/0
Jan Seb	5723	567.8	ā	٥						Jul	388/4 358/4	396/6 356/6	391/4
Feb Mar	576.0 590.5	571.5 578.0	0 585.0	0 576.1	SUG/	A WOR!	<b>"11" 112,</b> 0	nn the see	de l'ibre	Sep	363/0	361/4	381/0 386/0
May	588.6	584.1	594.0	585.0						Dec	374/0	372/0	376/0
أنحا	596.6	582.2	601.5	595.0		Close	Previous	High/Lov		LIVE	ATTLE 40	,000 lbs; cen	- H
Sep Dec	605.1 617.5	600.5 512.8	610.0 622.5	606.0 614.5	Jan Mer	13.75 13.69	13.80	0	0		Close		
Jan	821.1	616.4	0	0	May	13.58	13.69	18.75 13.73	13.56 13.56	D		Previous	High/t
Mar	629.7	624.6	634.0	634.0	Jul	13,48	13.57	13.62	13.44	Dec Feb	76.72 76.02	75.55	76.77
		-			Oct	13.07	13.17	13.23	13.07	Apr	78,07 74.37	74.20	78.17
		PTER 25,	000 lbs; ce	па/юз	Mar	12.60	12.60	12.78	12.60	Juan	71,72	73.77 71.27	74.45 71.80
	Close	Previous	High/Lo	7						Aug	70.40	69.90	70.47
Dec	105.70	106.06	108.00	.40						Oct	70.42	69.85	70.55
jeu	104.50	106.05	104.70	104.10	COTT	ON 60.000	cents/lbs			LIVE	OG\$ 30.0	0 lb; centu/l	
Feb	103.90	104.55	103.90	103.40		Close		14-4			Ciose		
Mar Apr	103.70 103.25	103.85 103.35	104.10 0	102.50 0	<del></del> -		Previous	High/Low	<u> </u>	-		Previous	High
May	102.90	102.85	102,80	102.00	Mar	67.77	88,18	68.17	87.05	Dec Feb	51.15 48 40	50,82	51.90
Jun	102.55	102.45	Q .	0.	May Jul	58.55 58.40	67.00 68.93	68.80 68.80	67.80	Apr	44,57	48.15	48.80
Jul	102.10	101.96	102.10	101.40	Oct	65.21	64.15	65.44	67.75 64.90	Jun	47.90	41.42 47.82	44.90
Aug	101.70	101,60	0	0 .	Dec	63.85	63.27	64.60	63.70	Jui	48,42	48.47	48.20 48.72
								_		Aug Oct	47.40	47.42	47.50
							_	•		Dec	43.52 45.52	43.80	44.00
MDK	253				CRAN	GE JUICE	15 000 ftm	cents/fbs				45.46	45.55
MDK	<del></del>	e: Septem	ber 18 193	1 = 100)			INDUCTION.			- FLIRS			
MDK	<del></del>					Close						40,000 lbs; c	SUDDING.
MDK	ERS (Base Dec 11	Dec 8	មេឃ ១១	o yr ago	_	Close	Pravious	High/Low			Close	Previous	
REUT	Dec 11 1806.5	Dec 8 1806.3	සහර අදු 1889.9	1900.0	Jen Mar	Glose 131.30	Pravious 127.55	High/Low 131,80	129.40	Feb		Previous	High/
REUT	Dec 11 1806.5	Dec 8 1806.3	មេឃ ១១	1900.0	Jan	Glose 131.30 131.25 130.50	Pravious	High/Low 131,90 131,50	129.40 129.70	Feb Mar	50.45 49.90		High/1 52.20
REUT	Dec 11 1806.5	Dec 8 1806.3	1869.9 31 1974 =	1900.0	Jen Mar May Jul	Glose 131.30 131.25 130.50 129.00	Pravious 127.55 128.15 128.00 126.70	High/Low 131,80 131,50 132,00 130,95	129.40	Feb Mar May	50,45 49,90 50,22	Previous 52,45 51,90 61,90	High/t 52,20 51,85 52,25
REUT	Dec 11 1908.5 JONES (B	Dec 8 1806.3 asa: Dec. Dec 7	1869.9 31 1974 =	0 yr ago 1900.0 100)	Jen Mar May Jul Sep	Giose 131.30 131.25 130.50 129.00 129.00	Pravious 127.55 128.15 128.00 126.70 126.45	High/Low 191,50 191,50 132,00 130,95 129,00	129.40 129.70 129.50 128.50 128.00	Feb Mar	50.45 49.90 50.22 50.07	Previous 62,45 51,90 61,90 51,20	52.20 51.85 52.25 51.87
DOW Spot	Dec 11 1906.5 JONES (B Dec 8	Dec 8 1808.3 8sa: Dec.	1869.9 1874 = 1974 =	1800.0 1800.0 100)	Jen Mar May Jul	Glose 131.30 131.25 130.50 129.00	Pravious 127.55 128.15 128.00 126.70	High/Low 131,80 131,50 132,00 130,95	128.40 129.70 129.50 128.50	Feb Mar May	50,45 49,90 50,22	Previous 52,45 51,90 61,90	High/t 52,20 51,85 52,25

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# Prices mark time in thin trading

A UK stock market poised for the start of dealings in the £5.24bn water privatisation issues was taking no chances yesterday, and share prices were content to mark time against a background of thin trading. The news of an unex-pectedly sharp sethack in retail sales last month did little more than confirm the fears of a drab Christmas for retailers. The Footsie Index was in

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The Footsie Index was in negative territory throughout, and a determined rally from the early fall of 15 points was stifled in late dealings by a poor opening on Wall Street. Analysis were quick to point out that London has been ignoring New York recently.

Account Dualing Dates That Destings: Nov 27 Option Declaration Dec 7 Dez 27 Jan 11 East Decident
Dec 8 Dec 28 Jan 12
Account Dept 19 Jan 8 Jan 22

and that yesterday's late set-London's lark of direction.

At its final reading, the
FT-SE Index was 12.1 down at
2.851.4 Seaq volume at 349.5m shares against 480.1m previously showed a return to the poor turnover which has plagued the equity market.

Mr Sugar said that sales for

The market opened slug-gishly yesterday as it faced the first day of the Christmas trad-Store shares were marked ing account. A number of leading stocks were traded ex-dividend, adding inevitably to the depression in share prices and

to the generally unprepossessing picture in early trading.

The news that UK retail sales fell by 0.8 per cent in November, contrasting with equity market forecasts of a small gain, completed the mar-ket's tale of woe, although there was little selling pressure even among the consumer stocks. The other statistical news of the day - a 0.4 per cent rise on the month in input producer prices and a 0.2 per

says the current Abbey rating

"reflects past mistakes of the banking sector and ignores the

clean balance sheet, strong capital base and high quality management. We consider the

stock merits a 40 to 50 per cent premium against the banks." Standard Chartered rose 12 to

Business was very slow in the properties sector. Those

who did deal were for the most

part selling.
MEPC, which went xd, still

dropped 8 to 521p, equivalent to the full gross value of the

dividend.

Confrol Securities also went xd but climbed a penny and a half to close at 45p as a few buyers came into the market following a favourable company to the Sunday press con-

545p on 1.1m.

Store shares were marked easier as sector analysts repeated their warnings of a gloomy outlook for the Christ-mas season, the major sales period for the big store groups.

However, sentiment was helped by good trading results from Scottish & Newcastle, the brewing and hotel company.

In the banking sector, which has been regarded as a significant defensive area by investors that solves for a tors bracing themselves for a difficult 1990, takeover activity continued. Speculators in Kleinwort Benson, however, were caught out when Dresdener Bank rejected recent hints

property sector which have

for the second liners because nobody is trading there," the dealer said. He added that some of the

leading property stocks had bank loans which were tied to

a minimum share price and he

added that in some cases, prices were drifting back towards that minimum. This

was provoking fears that some overseas banks might foreclose

on their loans. He said he

expected efforts to support the price of the stocks of threat-

Full year figures at the bot-tom end of market expecta-

tions from Wolverhampton & Dudley, the Midlands-based

brewer sent shares lower. Prof-

its rose by 15 per cent to £30.6m and earnings per share

from 26.3p to 31p. The shares fell 15 to close at 453p.
The retailing sector ws given a double dose of buffeting, being unsettled by a profits downgrading of sector leader.

Marks and Spencer and news

of a bigger than expected reduction in retail sales. Dur-

0.8 per cent on last year - "Good for the inflation rate

and the balance of payments, but the last thing the battered retail sector needed," said one

Marks and Spencer shares

slipped 5 to 1999 on 3.1m after one of the top UK securities houses lowered its forecast of pre-tax profits for the year to

end March 1990 by £10m to £580m. Marks is said to be suf-fering from a slowing of sales in food retailing, and there is growing concern about poor sales in the run up to Christ-

There were stories that Gold-

man Sachs had out their fore-casts for Marks but Mr Philip

major price initiative among

Shares in Cariton Communi-

cations, the television and

video services group, eased as the company released full year

figures below market expecta-

Profits rose to £112.39m from £49.13 the previous year,

though the market was expect-ing figures around the £114m mark.Several securities houses

downgraded their 1990 profit

forecasts following publication of the figures, among them SG Warburg which trimmed expectations from £182m to £175m on concerns over capital

the TIK food retailers.

ened companies.

onths, in order to boost their funds performance figures at the end of the year.

"It should not be too difficult

that it might be interested in Fixed interest acquiring a merchant bank. The water privatisation orders there issues do not start trading until 9.00am this morning, an hour or so after the rest of the equity sector opens for busi-

Equity analysts see the new stocks as offering above average dividend growth over the next two years, together with a highly attractive level of dividend security. Initial yields of between 6.8 per cent and 8.2 per cent were predicted by marketmakers yesterday, with the Northumbrian issue regarded as offering the bright-est prospects for outperforming from its offer price.

expenditure, depreciation and done badly against the market a higher tax charge. as a whole over the last 12 However Mr Mark Loveland

compared with last time's £62.4m. County NatWest are going for £85m, Hoare Govett, for £78.5m and BZW for £82m. Greenwell Montagu has pencilled in £80m. For Telecoms, County and BZW expect £64m, against £30.6m, Hoare goes for

£66m and Greenwell £60m. A larger than expected increase in the dividend as the company reported full year fig-ures slightly above market expectations yesterday, lifted English China Clays.

English China Clays.

Profits rose by 3.6 per cent to £150.6m and earnings per share climbed by 2.5 per cent to 44.91p. The dividend rose 12 per cent to 19.5p. Mr Tony Williams at UBS Phillips & Drew said: "The increase in dividend shows the confidence the group has in the future." The shares gained 6 to 428p.

shares gained 6 to 428p.

BTR rose with SG Warburg
reported to have been the big
shopper in the market. The

Large buyers were also responsible for the rise in Western Motor. A market maker said: "People feel the

Det Dec 7 8 83.62 83.74 83.02 82.98 83.02 B2.93 (4/12) 89.29 (8/2) 127.4 49.18 (9/1/35) (3/1/75) \$2.13 \$2.02 \$2.27 \$2.17 \$2.40 \$6.65 92.02 105.4 (8/12) (28/11/47) (3/1/75) 1447,8 2008.6 49.4 (3/1) (5/9/89) (26/6/40) 1651,8 1862.0 1850.9 1859.9 1838.8 1422.4 312.8 300.5 297.3 286.7 288.7 174.5 154.7 734.7 43,5 (17/2) (15/2/63) (26/10/71) 312.6 (11/12) FT-6E 108 Share 1782.8 2443.4 988.9 (3/1) (16/7/67) (23/7/84) 2426.0 (5/9) Ord. Div. Yield Earning Yid %(full) P/E Ratio(Net)(½) SEAO Bergains(5pm) 4.58 11.15 10.85 4.61 11.23 10.78 4.58 11.12 10.89 4,53 11,24 10,77 Bacin 100 Quie. Sects 15/10/25, Fixed Int. 1828, Ordinary 17/755, Gold mines 12/8/56, Bacin 1890 FT-SE 190 31/12/83. & NE 18.75 13.02 8.26 30,413 28,622 27,894 27,026 21,833 928 00 997,31 947,22 894,35 929,44 32,305 30,974 27,924 28,019 23,589 427,7 449,1 395,7 390,0 391,4 GILT EDGED ACTIVITY Equity Turnover(2m) Equity Bergains† Shares Traded (ml)† Ordinary Share ladez, Hourly changes Day's High 1858.2 Day's Low 1849.1 S—Day severages CS.4 C1.12

"SE Activity 1974. Excluding later-market business & Overseas turnover. Calculation of the FT indices of daily feguly Bergains and Equity Value and of the two-day averages of Equity Bergains and Equity Value, was discontinued on July 31 Closing values for July 28 available on request. London report and latest Share Index; Tel. 0808 123001. Open 10 a.m. 11 a.m. 12 p.m. 12 p.m. 1857.0 1857.2 1857.2 1857.2 1857.2 FT-SE, Hourly changes Day's High 2359.3 Day's Low 2348,4 Open 2352.1 2363.5 2351.4 2357.3 2369.0 2388.3 3 p.m. 2352.4 TRADING VOLUME IN MAJOR STOCKS

FINANCIAL TIMES STOCK INDICES

a higher tax charge.

However Mr Mark Loveland at SG Warburg said: "The underlying growth remains more than twice the market average. The PE relative (to the industrial index) is towards the low end of the range we expect for 1990 and the stock remains attractive to international investors and growth funds." The shares gave up 17 to 552p.

GKC, regarded by many as one of the most likely candidates for the PCN licences, does not be shared to the most likely candidates for the PCN licences, does not be shared at 222p.

Racal Electronic and Racal Telecom were little changed at 222p.

Racal Electronics, the range were of the most likely candidates of the PCN licences, and the shock of the most likely candidates for the PCN licences, close to the most likely candidates for the PCN licences, and the shock of the most likely candidates for the PCN licences, and the shock of the most likely candidates for the PCN licences, close to the many as one of the most likely candidates for the PCN licences, and the shock of the most likely candidates for the PCN licences, close to the pCN licences and pCN licences are possible to the pCN licences and pCN licences are possible to the pCN licences and pCN licences are possible to the pCN licences and pCN licences are possible to the pCN licences and pCN licences ar Voterne Closing Day's 600's Price chance

shares added 8 to 468p. Speculation that Sumitomo, the Japanese electrical and electronics group, had acquired a 20 per cent stake in Lucas, with which it announced a joint venture last week, sent Lucas shares racing ahead, as the company held its general meeting. The shares touched 644p before coming off the top in late afternoon as the talk faded. At the close, they were up 8 at 635p.

The news that IEP Securities controlled by Sir Ron Brierley, the New Zealand businessman, had raised its stake in Vickers to 16.67 per cent gave the shares a nudge forward. The shares closed up 2 at 207p. Large buyers were also responsible for the rise in Western Motor. A market

today's interim results. The shares added 4 to close at 238p. Rolls-Royce eased on the news that the the strike at its Hil-lington plant in Scotland called by the engineering trade unions in support of a 35 hour week was to continue. The shares gave up 2 to close at 172p, while a squeeze was said to have been the reason for the rise in GKN. The shares gained

stock is cheap at these levels." The shares gained 25 at 555p. Dowty were wanted ahead of

4 to 419p.

A steadier pound had a generally helpful influence on the international stocks, but the chief feature was the notable lack of turnover also suffered elsewhere in equities.
The final picture was somewhat mixed, with ICI a few

pence easier at 1128p, unim-

pressed by the further improvement in the sterling/DM rate. Analysts' assessment of last Friday's presentation by ICI is that the opportunities for profits growth at the pharmaceuticals side, which already accounts for one quarter of ICI group profits, will remain strong over

the next two years.

Elsewhere among the pharmaceuticals, Glaxo (794p) moved higher although turnover at 2.3m shares was unexciting; hints that Glazo had been the subject of a presenta-tion to City analysts had little effect on share dealings.

Other market statistics, including FT-Actuaries Share Index and Lowion Traded Options, Page 24

### **BAe** rise on PCN licence

The electronics/telecoms area of the market was shaken up during the late afternoon by surprise news that the British government has awarded three Personal Communication Network (PCN) licences, rather than the expected two. The names of the winning consornames of the winning consor-tia also came as a surprise to dealers who quickly embarked on some shifts in share prices. Apart from the Cable & Wireless consortium, which the government had already signalled as the recipient of one licenced, the winning consortia announced by the Department of Trade and Industry are the United conscr-tium, comprising STC, with 30 per cent, Thorn EMI, with 25 per cent and US West with 30 per cent and us west with so per cent. Deutsche Bundespost has the remaining 15 per cent. The other licence, and the hig surprise according to dealers, goes to the British Aerospace/ Pacific Telesis/Millicom/Sony

consortium. BAe has a 55 per cent stake in this grouping. Describing the award of three licences as "question-able," Mr Brian Newman at Henderson Crosthwaite said: "I anticipate intense competition between the three groups to win market share, with each consortium having to invest \$1bp.plus in the business." He cautioned that the "competition in PCN will defer likely profitability of the competing groups" and saw "little or no profit before the year 2,006." Other analysis also took a cautious line on the awards, and tious line on the awards, and said some of the strong gains in share price of the participants could well be preparture.

STC were the brightest performer, adding 13 at 275p on 2.5m shares. Thorn EMI rallied from 778p to end the session a net 10% higher at 783p ex-dividend. British Aerospace added. 16: at 573n. on 4.4m, baying

Brighter Amstrad

16 at 573p, on 4.4m, having been as low as 545p earlier in the day. Cable & Wireless closed 2 harder at 514p, ex-divi-

A confident performance by Mr Alan Sugar, chairman of the troubled Amstrad group, at the company's annual meeting yesterday, coupled with a buy note by Mr Paul Norris of BZW, the investment bank, triggered a strong run by Amstrad. The shares, which touched 36p recently, down from a year's high of 193p, picked up throughout the season to close a net 5 higher at 43p with turnover expanding rapidly to 13m shares.

the first five months were up, and were eating nicely into stock. The 2000 series comput-ers were said to be selling well. As one analyst put it: The message on profits is not good, but the shifting of the stocks is very good news. Ms Judy Stewart at Kleinwort Benson said:
"It's moving in the right direction; there now seems to be .some light at the end of the tunnel.

Mr Norris said that the company had turned the corner; Amstrad's personal computers are selling fast enough to get the inventory down." He added that BZW had canvassed the retall trade, "and the message from them is that the PCs are

The banking areas of the market included plenty of features. The merchant banks enjoyed strong gains and big turnover during the morning but the trend was reversed in the afternoon when a news agency carried a report sug-gesting that Dresdner Bank, mooted as a potential hidder for Kleinwort Benson, was looking to expand in the retail banking arena in the UK. Kleinwort shares, which ran up to 420p early in the day on further stories that Dresdner was building a stake, quickly fell away on the agency story, finally closing a net 2 down at 401p, after being as low as 396p. Dresdner is nowconfidently expected by dealers to attempt to buy the Yorkshire Bank in a joint move with Bangue National de Paris

que National de Paris. The hid stories helped Ham-hros, regarded as a prime take-over target, move up to 295p before closing a net 2½ higher at 299p ex-dividend. There was substantial activity in Morgan Grenfell where James Capel, acting for Deutsche Bank, moved into the market bidding 550p cash for Morgan stock, and brought the Deutsche stake un to 446 per cent. Turn-over in Morgan Grenfell totalled 44m shares, with the shares a fraction higher at 551p. Deutsche said it had bought 23m Morgan shares.

The clearers provided a firm feature in Midland which rose 8 to 373p helped by a stock shortage. Strong buying from UBS Phillips & Drew and Daiwa saw Abbey National move up 3 to a post-flotation record of 165p. Mr John Wrisworth at UBS pointed to the "inherent balance sheet strength of Abbey which stabilises the group's earnings potential.

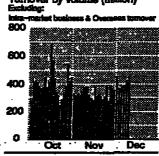
NEW YORKS (79).
HINTERS FUNDS (2) AMERICANS (2) BANGS
(7) SULLIBRIES (1) CHEMICALS (1)
ELECTRICAL (3) POODS (3) HISUSTRIALS
(1) Alla-Land AB '8', RESURANCE (2)

SEMPAPERS (1) SOUTH AFRICAN (1) TRAINTS (17) OILS (8) OVERSEAS TRADERS. (2) MAKES (16). NEW LOWS (60).

ment in the Sunday press con-cerning the possibility that subsidiary Bellhaven Brewery might be soun off. City Site also benefited from Sunday comment and climbed FT-A All-Share Index

1250 1200 1150 1100

**Equity Shares Traded** Turnover by volume (million)



25 to 213p following the predic-

the whole sector was being pul-led in two directions with technical influences tending to sup-port the price. He said some fund managers may be indulg-ing in "window dressing", dipping into the market to push up underperforming stocks, Mr Mike Fesemeyer at Daiwa particularly the leaders in the

Dorgan at Goldman, who vis-ited Marks last week, said his was sticking with his forecasts tion of an asset revaluation.
The first-line stocks fell back of 2595m for 1990 and £655m for 1991. But he is bearish on food retailing in general on the tinued to drift with the market falling 5 to 397p, Hammerson 'A' slid 7 to 827p, Land Securigrounds that pre-Christmas trading is very poor and that there is a fair chance of a ties lost 6 to 516p. One market maker said that

**NEW HIGHS AND LOWS FOR 1989** 

SREWERS (1) BUBLOWGS (2) ELECTRICALS (2) ENGINEERING (4) FOODS (1) BEDUSTRIALS (12) Bridport-G. Courtney Pops, Crests, Eleco, Ibes, My Hidgs., Monits & Crare, Soot. Hartsable Tel., Select. Appants., Tama (John), Young (1), LESURE (2) NEWSPAPERS (1) PAPERS (11) PROPERTY (2) TEXTLES (2) TRANSPORT (2) TRUSTS (4) OLS (2) THEID MARKET (1).

**APPOINTMENTS** 

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#### Security Pacific's approach to American Depositary Receipts

the American Depositary Receipts professionals at Security Pacific take a powerhouse approach to this international field of financial specialization. The emphasis in this regard is entirely on teamwork as the critical competitive strength

Within the ADR Group, it's reflected first in flawless execution and guaranteed performance up and down the line, from our senior management and account executives to our operations experts and shareholder services specialists. It's reflected as well in the fact that Sequor's ADR Group is staffed in depth at every level. We

On the corporate side, teamwork means the absolute best in working support for the corporation's own

In the U.S. securities markets, teamwork functions as an expression of confidence on the part of the

resources of a global banking power available to them, either through Sequor's cross-support specializations or through Security Pacific's multifaceted operations in every major center of international finance. This global alliance includes such trusted names as Burns Fry, Hoare Govett, McIntosh Hamson Hoare Govett and Mitsui Trust.

Why it works: The matter of strategy represents the qualitative difference in ADR success. And this is exactly where Sequor's ADR Group can make its biggest -unitipritiou-

As the powerhouse in the field, we know from experience that overall business objectives are of primary importance in accessing U.S. capital markets. What does the ADR company want to achieve? Recognition as a global competitor ... deeper market penetration ... greater corporate visibility ... a way to pursue merger and acquisition opportunities?

The answers determine how the ADR facility should be planned and managed, the most suitable type of ADR vehicle or program, the use of equity or debt, and the course of action that best accommodates balance sheet considerations, growth projections and corporate timetables.

Strategic thinking is the value that creates the winning edge in ADRs. To indicate our capabilities in this respect, we've prepared a booklet entitled "ADRs and Cross-Border Mergers and Acquisitions." it's free upon request.

Put the powerhouse behind your ADR program. Simply contact the member of our management team nearest you. In New York: Ralph Marinello, (212) 952-1600; London: Derek Brignell, Security Pacific National Bank (a member of TSA), 01-374-1673; Tokyo: Milsuru Takeuchi, 03-5562-3741.



Security

Fiduciary Services

#### **Cambridge Electronic Industries** group chief

 CAMBRIDGE ELECTRONIC
INDUSTRIES has appointed
Mr Paul Lester as group chief executive from January 1. He succeeds Mr Richard King who is retiring but who will re a director. Mr Lester joins from Dowty Defence and Air ns where he was Systems where he v managing director.

MURRAY JOHNSTONE has appointed Mr Barclay Douglas to the board of Murray

SMITH, ANDERSON & CO. Glenrothes, has appointed Mr David Verden Anderson as an and managing director, following the death of his brother Mr William Verden Anderson, Joining the board are Mr George Col company secretary, and Mr James Watt, works manager.

Mr Simon Raymand has been appointed chairman of ROCK. appended charman or kook
for Gerard Lakmaker,
managing director of the
largest subsidiary Alax,
becomes group managing
director of Rock.

Mr John Learing has been appointed marketing director, HILL SAMUEL INVESTMENT SERVICES. He was controller marketing, TSB Trustcard.

WARTY CORPORATION has appointed Mr John F. Devaney as chairman and chief executive officer of its new subsidiary, the US-based K-H Corporation. He has directed North American operations since 1968, and was previously group vice president, components group, and managing director of Perkins

Mr Alan C.H. White has been appointed to the construction board of SIR ROBERT MCALPINE & SONS from January 1. He was London region manager, and retains this post.

 Mr Allan Speirs has been appointed a director of ADVENT, a venture capital company. He joins from 3i where he was director responsible for the group's UK hands on investment division.

 Mr Toby de Lotbiniere, chairman of CIBC Grenfell & Colegrave, has become chairman of CIBC INVESTMENT MANAGEMENT in London, Mr Trevor Cooke continues

as managing director, and Mr Andrew Meiklejohn and Mr Alistair Patrick have been appointed to the board. The name of Grenfell & Colegrave is retained by the Canadian Imperial Bank of Commerce, Toronto, the parent company.

**FEDERAL EXPRESS** 

SYSTEMCARE has appointed Mr Kelvin Smith as financial

■ Mr Philip Swinstead becomes executive chairman of SD-SCICON, and Mr Geoff Holmes and Mr Ian Scoggins become joint group chief executives on January L

■ ETAM has appointed as directors Mr J.K. Maynard and Mr R.C. Thomas.

■ NORTHERN TELECOM EUROPE, Maidenhead, has appointed Mr Robert Adams to the new post of vice president, business development. He was president, General International Inc. sident, General Datacomin

■ Mr David Brown, legal director, Ashley Group, has resigned to join property developer OLYMPIA & YORK.

■ HOENIG & CO, stockbrokers, has appointed Mr Robin A. Green as finance

■ Mr Michael Savory has been appointed senior investment executive at MIDLAND STOCKBROKERS, retail stockbroking arm of Midland Bank. He was senior partner

of Foster & Braithwaite. ■ Ms Sarah Penrose has been appointed human resources and customer services director of WINDSOR CABLE

■ Mr David Hadley has been

appointed managing director of HORNETS NETWORK, part of Premier Metropolis Group. He joins from TNT.

■ Mr Peter Byrom has been appointed a non-executive director of T&N. He is an executive director of N.M. Rothschild & Sons.

> ■ Mr Chris Wigg has been appointed financial director of SGB HOLDINGS, and Mr James Ward becomes financial director of SGB. Mr Ward was company secretary of John Mowlem & Co.

Mr Jim Corden has been appointed managing director of A1 International, automotive division of HADLEIGH INDUSTRIES.

**Norwest Holst** makes changes ■ NORWEST HOLST

CONSTRUCTION has made the following changes. Mr Andy Stoddart remains executive chairman, but is succeeded as managing director by Mr Mike Hayes. Mr Hayes is succeeded as managing director of the southern division by Mr Paul Ahearn. Mr John Connon becomes international division director on the main board. Mr Ian Kingsbury and Mr Martin Getes have been apppointed southern division

How it works: Operating as part of The Sequer Group, ... teamwork as it functions in every area of major concern.

are not a one or two man show.

ADR team -- investment bankers, accountants, legal counsel and investor relations practitioners.

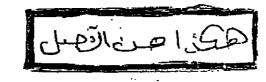
broker/dealer community, a confidence based on the leadership position Security Pacific occupies in securities processing, clearing, institutional services, custody, securities lending, trust and transfer operations.

Around the world, our ADR clients have the full

**Pacific** THE **SEQUOR** 

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34						INANCIAL TIMES TUESDA	
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US Algebra. 2022 2003 1003 1012 145.7 114.7 1021 127.2 180.8 125.3 | Table | 1.15 | Access | 54 | - Confet | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1. \*0.4 \*0.2 | Compared Manufacture | 120.9 | 127.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0. edential Pensions Limited Princiential Persions Limited Inthern Bars, Losdon Pill 2881 (100 Discussions) Doc. 1014 (201 Discussions) Doc. 10 159.0 192.0 213.0 153.0 163.0 153.0 153.0 251.0 251.0 \_\_ 567.7 - 6.2 193.6 - 60.3 116.2 - 60.2 20.5 - 60.2 20.5 - 60.2 20.5 - 60.3 20. 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### CURRENCIES, MONEY AND CAPITAL MARKETS

#### FOREIGN EXCHANGES

### Japanese sell dollars

The US dollar eased yesterday following central bank intervention aimed at stemming its advance against the yen. Sterling was firmer following data that showed that the UK economy is still slowing down, while the Swiss franc contin-

The first sign of central bank intervention came in Tokyo where the Bank of Japan was reported to have sold a total of around \$1bn at Y144.60. The concern among Japanese mon-etary authorities at the yen's weakness was made clear by a senior Bank of Japan official who said that yesterday's advance by the dollar against the yen had been undesirable.

The dollar came under renewed pressure in New York where the Federal Reserve was reported to have sold dollars for yen at Y144.60-70. Analysts said the Fed had acted on behalf of the Bank of Japan. Currency dealers believed the Bank of Japan was attempting to stop a weaker yen fueling domestic inflation and had decided to stop the dollar breaking above Y145.

Mr David Simmonds, Chief Treesury Economiet at Mid-

Treasury Economist at Midland Montagu, said the dollar was also on the defensive on worries that the Fed may respond to recent weak eco-nomic reports by easing mone-

£ IN NEW YORK						
Bec.11 Latest Previous Clase						
£ Spot	1.5825-1 0.84-0 2.39-2 8.38-8	83pm 36pm	1.5820-1.5830 0.83-0.82pm 2.48-2.46pm 8.85-8.75pm			
Forward premiums and discounts apply to the US dollar STERLING INDEX						
		Dec.	ŭ.	Previous		
8.30 am 9.00 as 10.00 as 11.00 am		86. 86. 86.	7	86.5 86.6 86.6		

Noon		86.8 86.8 86.9 87.0 87.0	86.6 86.7 86.7 86.7 86.7
CUR	REN	CY RA	TES_
Dec.11	Bank rate %	Special* Orawing Rights	European † Currency Unit
Sterling # U.S Dollar U.S Dollar Canadian S Austrian Sch Belgian Frage Doubh Krone Doubh Krone French Hark Heth Golder French Frage Japanese Yea Japanese Yea Japanese Yea Spinish Peneta J Switch Frage Greek Drach Switch Frage Greek Drach Switch Frage Greek Drach	85.5 8.55.5 8.55.5 8.5 8.5 8.5 8.5 8.5 8	1.22287 1.29921 1.49921 1.49921 1.49921 1.48 48.0572 8.89518 2.28455 2.58122 11/A 18/A 18/A 18/A 18/A 18/A 18/A 18/A	1.37552 1.15084 1.33462 14.3349 42.7566 7.89879 2.03526 2.29685 6.95683 1502.02 166.319 7.79694 131.484 7.30553 1.83732 186.689 0.771755

# Sterling quoted in te FEUTEPOSE COMMISSION All SDR rates are for	rus of SDR.am n Calculations. r Dec.8	ECU.per 1
CURRENCY	MÖVÈ	MENT
Dec.11	Bank of England	- Morgan Guarant

Dec.11	Bank of ** England Index	Guaranty Changes %
Sterling	87.0 68.7	-23.8 -9.2
Canadian Dollar	105.4	+2.4
Austrian Schiffing Beigian Franc	109.4 108.8	+119
Danish Krone	107.8	-3.8 +2.6
Deutsche Mark	117.7	+24.9
Seriss Franc	106.1 113.7	+14.8 +16.4
French Franc	102.0	-13.8
Ura	100.2 132.5	-17.9 +63.2
Yes	<del></del>	
Mergan Guarants 1982 - 100, Bank of	changes: a England Index	verage 1980- (Base Average

Y61				
Mergan Guarants 1982 = 100, Bank of 1985 = 1000 ***Rates are	changes: a England index (orDec.8	verage 198 (Base Avera		
OTHER CU				

OIGEN CONNENCIES						
Dec.11	£	\$				
Argentina Australia Brazil Finiand Coreco Hong Kong Hran KornaStab	1032 05 - 1040 65 2 20250 - 20270 12 8885 - 12 8820 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	650.00-655.00 1.2760-8.1120 8.0710-8.1120 8.0710-8.1120 1.1500-7.8110 1.1500-7.8110 7.700-7.810 2.7100-0.27120 2.7100-2.7120 2.7100-2.7120 2.7100-2.7120 2.7100-2.7120 2.7100-2.7120 2.7100-2.7120 2.7100-2.7120 2.7100-2.7120 2.7100-2.7120 3.7505-3.7515 3.7505-3.7515 3.6520-3.6730				

**MONEY MARKETS** 

steady yesterday as sterling edged higher after data that

showed the economy is con-

The key three-month inter-

bank rate was quoted at 151-15 per cent, compared with 151/4-

15% on Friday. In the futures

tinuing to slow.

Key rate eases UK MONEY market rates were to the money markets. Factors draining liquidity included a take-up of Treasury bills and maturing assistance of £540m, bills for repurchase by the market £195m, and bankers halances £25m below target. But this was offset by

Analysts said that as the

factors that had drained liquidity yesterday were likely to persist this week, call

money rates could edge

alightly higher.

Exchequer transactions of £330m and a fall in the note market, short sterling moved higher, with the March concirculation of £530m. tract up 12 basis points at In Frankfurt call money rates firmed slightly to 7.60-7.70 from 7.50-7.60 per cent on 85.67. Over the past week, money rates have eased slightly, with Friday. Frankfurt dealers said the three-month rate down & percentage point as the pound rates had risen as December's tax payments were being met, strengthened. But analysts say it is still too early to talk about thus draining liquidity from the markets. The seasonal a cut in rates. Money rates up increase in demand for cash before Christmas has prompted an outflow of funds from the banking system, and this has also nudged short rates higher.

UK clearing bank base lending rate 15 per cent from October 5

to six months forward are still quoted at or above 15 per cent. the current base rate level; only nine months money is quoted below that level. Initially, the Bank of

In New York the Federal Reserve refrained from open market operations. This had England forecast a flat position been expected by the market in the money market, which included an allowance for and analysts said the Fed's absence did not carry any policy implications. At the usual time of the Fed's daily water privatisation receipts. During the the Bank revised its forecast to a shortage of around £100m, but did not purchase any bills. In the operations, Federal Funds were quoted at 8% from 8% per cent on Friday. Analysts said they did not expect any easing in afternoon it also did not rates at least until later in the operate, though it provided late assistance of around £30m

tary policy. But he forecast that the dollar would trade in a narrow range of DM1.7500 to DM1.7750 until the release of US trade and producer price data on Friday.

The dollar closed at DM1.7660 from DM1.7720 on Friday, at Y144.45 from Y144.20, at SFr1.5970 from SFr1.5975, and at FFr6.0375 from FFr6.0550. According to the Bank of England, the dol-lar's index closed down 0.1 at

Sterling advanced after the release of data that showed domestic demand is slowing while cost pressures remain subdued. Analysts said the prospect of high interest rates and lower inflation had tempted some investors to switch out of D-Marks and into sterling. Dealers noted sterling buying not only in London but also from New York. But a stronger sterling advance must stronger sterling advance must await the release of the

November inflation figures on
Friday. According to MMS
International, the financial
information company, the con-
sensus of analysts' expecta-
tions is for an annual inflation
rate of 7.8 per cent from 7.3 per
cent in October.
Sterling closed at DM2.8075

from DM2.7975, at \$1.5895 from \$1.5795, at SFr2.5875 from SFr2.5225, at FFr9.5950 from FFr9.5650, and at Y229.50 from Y227.75. Sterling's index closed up 0.3 at 87.0. The D-Mark closed for the

first time since March 1981 clearly above SFr0.9000, reflecting worries that Swiss interest rates are not high enough to compensate for ris-ing inflation, said Miss Mir-anda Cullen, European Econo-mist at BZW. Miss Cullen said unless the Swiss authorities tightened monetary policy, the D-Mark could rise to SFr0.9200. It closed at SFr0.9050, up 30 points from Friday.

	(8)	INCOME.	MICHAELI .	-	<u>~  </u>	100,000	
Sterling	817-81, 12'4-12 812-81, 715-71, 716-710, 12-10, 913-91, 914-91, 616-61, 12'1-118	76-76 104-104 11-12 91-94 91-94 61-64 124-124 124-124	15 1 - 15 84 - 85 84 - 85 8 - 75 8 - 75 8 - 75 101 - 101 131 - 125 104 - 93 64 - 65 123 - 113 81 - 81 16 - 81 16 - 81 16 - 85 16 - 85 17 - 85 18 - 8	154-8 81-8 121-1 81-8 81-7 81-1 101-1 101-9 61-6 12-11 81-8 2-84 per ars and de	17	14%-14% 84-84 11%-11% 85-83 8-73 10%-10% 10%-1	144-144 82-84 113-112 13-65 73-71 84-84 104-105 104-105 104-105 104-95 64-65 104-85 64-85 20 cost; free 10 cost; free
POU	ND SPOT	FORWAR	RD AG	AINS	ST '	THE PO	DUND
Dec.11	Day's spread	Close	Ope pro		% pi.	Three	% p.i
US Castida Retherlands Retherlands Belgigun Desmank Ireland W. Germany Portugal Spale Raty Roovay France Sweden Japan Austria Seiturstand ECU Commercial r 59.00-59.10	1.5785 - 1.5900 1.8355 - 1.8475 3.151 <sub>2</sub> 3.171 <sub>4</sub> 58,70 - 59,20 10.34 - 10.91 <sub>2</sub> 1.0580 - 1.0670 2.791 <sub>4</sub> 2.80 2.791 <sub>4</sub> 2.81 2.624 <sub>4</sub> 20741 <sub>4</sub> 10.70 - 10.761 <sub>2</sub> 9.541 <sub>4</sub> 9.601 <sub>4</sub> 10.021 <sub>4</sub> 10.091 <sub>4</sub> 2.281 <sub>4</sub> 2.30 19.68 19.80 2.52 - 2.541 <sub>4</sub> 1.3700 - 1.5790 atts takes towards (Sir-most) forward (	1.5990 - 1.5900 1.8455 - 1.8465 3.164 - 3.174 58.85 - 58.95 18.904 - 10.914 1.0635 - 1.0945 2.804 - 2.81 2.84 - 75 - 245.75 181.00 - 181.30 20724 - 20734 10.745 - 10.752 9.59 - 9.60 10.074 - 10.084 2.534 - 2.544 1.3760 - 1.3790 is end of Loodon botter 4.85-4.80cpm	31-2 31-31-2 0.35-0.3 15-14 15-3 3-25-2 31-31-2 11-101-0 0.51-0.6	9cpm cpm repo Oppm Prepo Acals Aca Aca Aca Aca Aca Aca Aca Aca Aca Aca	6.87 3.48 7.10 5.81 7.75 -1.93 -2.53 2.14 5.08 7.79 9.68 7.39 9.68 7.39 9.68	246-24; 130-11; 43-4; 77-46; 83-7; 080-07; 44-4; 104-93; 64-63; 44-4; 293-274; 44-33; 1.38-1.38; 1.38-1.38;	263 608 608 608 608 608 608 608 608
DOLL	AR SPOT-	FORWAR	D AG	AIN		THE DO	
Dec.11	Day's spread	Close	One mor	<b>c</b>	% D&	Three exentles	P.E.
UK†	1.5785 - 1.5900 1.4900 - 1.4945 1.1605 - 1.1625 1.9905 - 1.9975 37.00 - 37.20 6.844 - 6.874 1.7625 - 1.7705 154.20 - 154.55 114.00 - 114.35 1302 - 13064	15890 - 1.5900 1.4920 - 1.4930 1.1625 - 1.1635 1.4920 - 1.9930 37.00 - 37.10 6.86 - 6.864 1.7655 - 1.7668 154.25 - 154.35 114.10 - 114.20 13034 - 13044	0.92-0.99 0.38-0.33 0.31-0.32 0.06-0.04 2.50-4.55 1.95-2.250 0.14-0.123 68-77 4.70-5.201	icens i icens icens icens icens icens icens icens icens icens icens icen	687 3.30 1136 1369 1369 1369 1369 1369 1369 1369	2.46-2.430 1.28-1.160 1.00-1.086 0.01-0.05 10.00-14.000 5.65-6.150 0.15-0.125 315-3256 14.20-15.206	is -3.58 is -0.06 is -1.29 is -3.44 gr 0.31 is -8.81 is -7.00

**EURO-CURRENCY INTEREST RATES** 

Nonezy 6.76 -	154.55   154 114.35   114 13064   130 6.78   6.05 6.05   6.05 6.05   6.0 144.75   144 12.464   12.46 1.15985   1.15 1.15985   1.15 1.15986   1.15 1	25 - 154.35 10 - 114.20 34 - 13044 76 - 6.764 34 - 6.344 14 - 6.344 14 - 12.444 15 - 12.444 10 - 141.50 16 - 1.1520 of Loades tradies	1.4-0.12e/pm 100-130cdis 68-78cdis 70-5.20liresis 95-2.30cresis 0.85-0.45cds 55-1.80cresis 0.29-0.27ypm 0.29-0.27ypm 0.24-0.22cpm 0.24-0.22cpm 1.1 UK and ireism the individual cu	-8.94 315- -7.66 195- -4.55 14.20-15 -3.76 6.05-6 -1.79 3.00-3 -3.17 5.75-6 -0.24 0.60-2 0.79 0.20-0 0.79 0.20-0 1.71-0 1 are moted in US	.45dls -3.69 120dls -2.05 1.10dls -3.73 .65pe 1.84 1.00dls -0.42 1.5pm 0.44 .68pm 2.41
EMS E	Eco central	Correacy amounts against Eco	RENCY % change from cestral	UNIT RA	Divergence
Belgian Franc	42.4582 7.85212 2.05863 6.90403 2.31943 0.768411	Dec.11 42.7566 7.89679 2.03526 6.95683 2.29685 0.771795	+0.70 +0.59 -1.13 +0.76 -0.97 +0.44	+0.70 +0.59 -1.13 +0.76 -0.97 +0.44	±15424 ±1.6419 ±1.1019 ±1.3719 ±1.5019 ±1.6699

German D-Mark	2.05963 6.90403 2.31943 0.768411 1483.58 133.804	2.03526 6.95683 2.29685 0.771755 1502.02 131.484	-113 +0.76 +0.97 +0.44 +1.24 -1.73	-113 +0.76 -0.97 +0.44 +1.24 -1.73	
A				-	•

		_ E	CHA	NGE	CRC	<u> </u>	RATE	<u> </u>		
Dec.11	£	5	DM	Yes	F Fr.	S Fr.	#FL	Lira	CS	В
\$	1 0.629	1.590 1	2.808 1.766	229.5 144.3	9.595 6.035	2.538 1.5%	3.168 1.992	2072 1303	1.846 1.161	37
DM YEN	0.356 4.357	0.566 6.928	12.24	81.73 1000.	3.417 41.81	8.904 11.06	1,128 13,80	737.9 9028	0,657 8,044	20 25
F Fr. S Fr.	1.042 0.394	1.657 0.626	2.927 1.106	239.2 90.43	10. 3.781	2.645 1	3.302 1.248	2159 816.4	1.924 0.727	6 <u>1</u>
H FL Lira	0.316 0.483	0.502 0.767	0.886 1.355	72.44 110.8	3.029 4.631	0.801 1.225	1 1.529	654.0 1000.	0.583 0.891	15 28
GS B Fr.	0.542 1.698	0.861 2.699	1.521 4.767	124.3 389.6	5.198 16.29	1.375	3%	1122 3518	1 3.134	31 10

**NEW YORK** 

Dec 11.

(Luncht/me)

#### FINANCIAL FUTURES AND OPTIONS

FFE LC 50,020	NG CALT FUTO: 641% of 100%	DES OPTIONS	LIFFE U. \$100,000	TREASU	27 BOND   100%	LIFFE WING FUTURES OFFICIES INC250,000 points of 180%							
Strike Price 89 90 91 92 93 94 95 timates	Calls-settleme Mar Jr 3-32 45 2-46 44 2-62 3-2 1-30 2-4 1-03 2-1 0-46 1-4 0-31 1-2 1 volume total, Callay's open Int. Call	m Mar 12 0-24 14 0-38 14 0-58 18 1-22 17 2-38 12 3-23 18 2112 Pa	0-38 0-54 1-10 1-34 1-43 2-33 3-08 8: 191	Strike Price 96 97 98 100 101 102 Estimated Previous d	Mar 3-51 2-63 2-15 1-39 1-09 0-49 0-32	4-12 3-33 2-58 2-23 1-57 1-31 1-10 ctal, Calls 99	0-21 0-33 0-49 1-07 1-43 2-19 3-02	tlements Jun 0-60 1-17 1-42 2-07 2-41 3-15 3-58	Strike Price 8950 9000 9050 9150 9150 9250 9250 Previous &	Mar 1.88 1.50 1.16 0.87 0.64 0.32 volume to	**************************************	Mar 0.26 0.38 0.54 0.75 1.02 1.34 1.70	316 0.51 0.67 0.67 1.07 1.63 1.94 519
FFE 6/ 5,000	S OPTIONS Gods per £1)			LIFFE EL Sim polo	120001.LA ts of 100	S OPTIONS	5		LEFFE SI £500,000	10KT 57E	LDIG OFT	EDIES .	
Strike Price 145 150 150 160	Calls-settleme Dec Ji 13.75 13.7 8.75 8.7 3.75 4.0 0.50 1.4	an Dec 75 0.00 75 0.00 87 0.11	2011 Jan 0.02 0.21 1.12 3.50	Strike Price 9125 9150 9175 9200	Calls-9 Dec 0.38 0.14 0.02 0.01	1.00 0.77 0.56 0.38	Pots-92 Dec 0.02 0.02 0.15 0.39	21lemetis Mar 0.03 0.05 0.09 0.16	Strike Price 8450 8475 8500 8525	Calls-sq Dec 0.46 0.23 0.04 0.01	ttlements Nar 1.36 1.13 0.92 0.71	Pots-co Dec 0.01 0.03 0.09 0.31	Ma 0.07 0.07 0.13 0.17

CHICAGO

99-13 99-13 99-08 99-02 98-24 98-13 99-11 99-11 99-14 98-24 98-14 98-05 97-21 97-13 91.62 92.23 92.34 92.02 91.87 91.73 91.64

**EUROPEAN OPTIONS EXCHANGE** 

7 20 45 12 Feb. 90 427 609 8 -22 -89 386 36 1000 64 14 10 - 6445 0.20

2.20 t 2.90 5.40 0.70 2.50 5 14.20 1.10 Jal. 90 100 2.30 -3 6 7.70 0.70 b 1.60 7.20 3312810354726 5334721 2 65450878310 5 228 315 55423350 3 9.20 0.70 1.60 2.50 5.40 0.70 3.30 1.20 0.80 3.10 1.70 3.20 3.20 2.70 4.80 6.90 2.60 2.60 5.20 1.80 2.50 5.40 14 90 123 9 7.10 2.90 3.80 5.30 7

419 15 26 7.50 6.10 1.60 2.50 TOTAL VOLUME IN CONTRACTS: 27,091 k B-Bid C-Call P-Pai

FT LONDON INTERBANK FIXING

MONEY RATES

7.90-8.05 107-104

11投-12点

LONDON MONEY RATES

Treasury Bills (cell); one-month 1413 per cent; three months 143, per cent; Bank Bills (cell); one-month 1433 per cent; three months 1418 per cent; Treasury Bills; Average tender rate of discount 14.4976 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Riovember 30, 1999. Arrest rates for period December, 26, 1999 to January, 23, 1999. Scheme 1: 15.37 p.c. Scheme 1/45/15.148 p.c. Reference rate for period Nov. 1, 1999 to November, 30, 1999, Scheme 1/45/15.148 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15/2 from December 1, 1999; Bank Deposit Rates for suring at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit E100,000 and over held under one month 11/2 per cent; one-three months 13 per cent; three-fix months 13 per cent; six-oline months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11/2 per cent from Oct 9,1989. Deposits withdrawn (or cesh 5 per cent.

7.85-8.00 103-102 71-8 8.48-8.50 61-63 123-134 98-99 111-113

141

141

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145

15

Freasury Bills and Bonds

7.90-8.05 103-109 74-8 8.45-8.50 64-64 124-154 93-10 124-124

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7.95-8.15 101-101

124-122

15 15<u>1</u>

8.00 9.50

141 141

POLINIA-S (FORFICE PARTICIPALICE) 1-eth 3-eth 6-eth 12-eth 15804 15651 15413 15020 Latest Migh . Low Pres. 1.5858 1.5864 1.5808 1.5786 1.5614 1.5620 1.5564 1.5344 1.5338 1.5370 1.5339 1.5363 LONDON (LIFFE) 9773 Hilda 92.06

91.62 92.22 92.34 92.29 92.29 91.88 91.77 91.68 91.60 92.20 92.33 92.33 92.87 91.87 91.68 Est. Vol. (Inc. figs. not. shows) 3928 (9234) Presigns day's open int., 46921. (45262) 91.88 91.90 92.03 92.08 Estimated volume 3262 (6448) Previous day's open lat. 33445 (33510) 開始 お上 およね Low 89.15 89.47 Prev. 89.13 89.47 002 89.15 89.47 Estimated volume 63 (147) Prorious day's open lot. 1986 (1071)

2574.9 2621.0

### BASE LENDING RATES

Co-operative Bank
Couts & Co
Cyprus Popular Bk
Dunbar Bank PLC
Dunbar Bank PLC
Dunbar Lawrie
Egsatorial Bank plc
Egsatorial Fank plc
Egsatorial Fank plc Adam & Company Allied Trust Bank Allied Irlsb Bank Provincial Bank PLC ..... Rankurghe G'rastee ...... Royal Bk of Sontland ..... Royal Trust Bank...... Smith & Wilbuse Sess.... Exeter Trust Ltd.
Financial & Gen. Bank ...
First National Bank Pic.

Robert Freming & Co. ....
Robert Freming & Phys. ... Extent Track Ltd. Bank Cresit & Count ..... Bank of Crorus ....... Bank of Ireland ...... Bank of India
Bask of Souland
Baskse Beige Ltd
Bartlays Bank
Benchmark Bank PLC
Brit Bk of Mile Eask HFC Bank pic . Hambres Bank Hampshire Trast Pic...... Heritable & Geo lay Bok. C. Hoare & Co. Nembers of British Merchant, Bankley & Securities Houses Association. \* Deposit now 5.9% Securities 8.5%. Tou Tier-£10,000-iostant access 12.8% \$ Mortgage hase rate. § Demand deposit 9%. Mortgage 15.2% - 15.15%. Brown Shipley
 CL Bank Hederland
 Charterhouse Bank ....... Hospiong & Shangh ..... \*\* Leopold Joseph & Sons .... Lioyds Bank ..... Meginaj Bank Ltd \_\_\_\_ McDonnell Douglas Baik , Midland Bank Mount Banking Rat Bk. of Kires

**VENEZUELA** 

The Financial Times proposes to publish this survey on:

13TH FEBRUARY 1990

For a full editorial synopsis and advertisement details, please contact:

Nigel Bicknett on 01-873 3000

or write to him at:

Number One Southwark Bridge London SEI 9HL

**FINANCIAL TIMES** 

COMPANY NOTICES

RAND MINES GROUP ated in the Republic of South Africa) DIVIDEND DECLARATION

BLYYOORUITZICHT GOLD MINING COMPANY, LIMITED (Company Registration No. 05/09743/06)

Notice is hereby given that dividend No. 87 of 5 cents per share has been declared in South African currency, as an interim dividend in respect of the year ending 30 June, 1990, payable to members registered at the close of business on 29 December, 1989. The register of members will be closed from 30 December, 1989 to 7 January, 1990, Includive. Dividend warrants will be posted on or about 28 January, 1990.

to 7 January, 1980, inclusive. Dividend watered with the United Kingdom registers and transfer agents will be currency for payment by the United Kingdom registers and transfer agents will be the telegraphic transfer rate of exchange between Johannesburg and London ruling on the first business day after 30 December, 1989, on which foreign ruling on the first business day after 30 December, 1989, on which foreign ruling on the first business day after 30 December, 1989, on which foreign ruling on the first business day after 30 December, 1989, on which foreign ruling of the first business day after 30 December, 1989, on which foreign ruling on the first business day after 30 December, 1989, on which foreign ruling on the december of the decem

from the Johannesburg or United Kingdom offices of the comple DURBAN ROODEPOORT DEEP, LIMITED companies have decided not to (Company Registration No. 01/00926/06 ) EAST RAND PROPRIETARY MINES, LIMITED ) (Company Registration No. 01/00773/08 ) a dividends for the year

By order of the Boards,
RAND MINES (MINING & SERVICES) LIMITED,
15th Floor - The Comprehense per V M MURTON.

Secretaries in the United Kingdo: Vieduct Corporate Services Limited 40 Holborn Viaduct

Jan 0.51 0.67 0.66 1.08 1.53 1.62 Patrick 0.26 0.38 0.54 0.52 1.34 1.70

83 Fox Street

#### **AVIATION IN ASIA &** THE PACIFIC

The Financial Times proposes to publish this survey on:

20th February 1990

For a full editorial synopsis and advertisement details, please contact:

> **Penny Scott** on 01-873 3595

or write to her at:

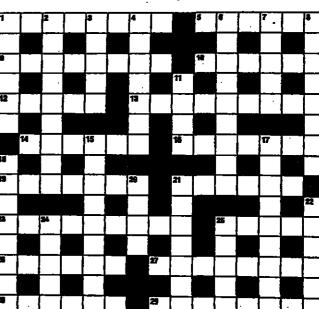
Number One Southwark Bridge London SE1 9HL

**FINANCIAL TIMES** 

**JOTTER PAD** 

#### **CROSSWORD**

No.7,113 Set by FRESCA



1 Creator at make-in at art

centre (8)
5 26-born 1 across presents
wrong end for Henry to

grasp (6) 9 Showily or neatly turned out (8)

10 Pole follows German 1 across for Austrian 1 across (6) 12 French 1 across one put

money on without resistance (5) 13 Italian 1 across to force teacher back for old cop-

per's coat (9) 14 American 1 across an engine driver? (6)

16 Displayed in a can this suggests flowers (7)

gests flowers (7)
19 East German city backer the French promote (7) 21 Transport over one Italian I

across (6) Synthetic resin given, we hear, by one girl to another

25 Diver throttled back source of Roman fountain (5) English 1 across not

English? (6) Sticker she redesigned for

use in a disreputable bar (3) 28 Really trendy action! (6) 29 Gets excited like this: seen

cavorting about (8) DOWN

1 Many jump aboard a 1 across from Poland (6)
2 Follower of a hereditary the-

cry, Scot supports just over half of German 1 across (9) Month cut short by extra-terrestrial product of 1

4 Quick way to support printer's measure? Cheer!

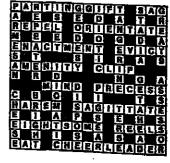
tesmen dealing in cameras? (9) erast (9)
7 Musical ability – by doctor considered dull (5)
8 A fault at the cliff edge? (8)
11 One of the best artists standing for a creation of a 1 across (4)
15 A late brow second for the

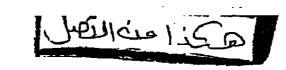
1 across (4)
15 A late brew served for the convenience of diners? (9)
17 Princess attempts to take over leather factories (9)
18 Hires out falm animal in Italian 1 across (8)
20 English painter decapitates mole! (4)
21 Russian I across falls to finish battle (7)

ish battle (7)
22 Several died to take in American 1 across (6)
24 Old town depicted in cover that's sensational (3)

"Bid them wash their faces 25 And keep their — (Shakespeare) (5)

Solution to Puzzle No.7,112





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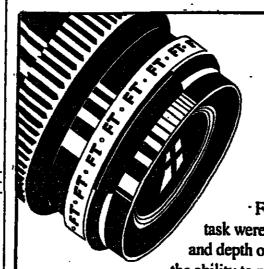
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**WORLD STOCK MARKETS** 

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December 11
AGA B Free
AAA B Free
AAA B Free
AAA B Free
AAB AFRE
AAB AFRE
ABB AFRE
ABB AFRE
ABB AFRE
BLESCHOIS B Free
BLOOD A FRE CANADA 2575680078880011255155407584481111790 | Sales | Stack | High Law Close Change | 300 Co Steel | \$15\frac{1}{2}\$, \$15\frac{1}{2}\$, \$15\frac{1}{2}\$, \$25\frac{1}{2}\$, 17 17 19 1989 25 19 4 4 22 17 4500 Innopec
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5851 Interhome
2770 Inv Grp
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150 TORONTO Sola 870 ... Toro Arricar Tosi Franco 2pm prices December 11 Consensation of Confessional AS DUW September 2011 Decision (Pr.) Degister Bener Decision (Pr.) Degister Bener Decision (Pr.) Degister Bener Degister Bener aber 11 ## 10 | 156 | 154 | 154 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 \$400 \$1,500 \$14,550 \$1, 古 き 当はならならば き さ Credit National
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General Electric lost \$\% to \$62\% and FW Woolworth lost

stocks was LIN Broadcasting

which fell \$1% to \$122% in over-the-counter trading as it

to be acquired by McCaw Cel-

lular Communications whose

A shares fell \$1/4 to \$39. Beli-South, which formally

announced that it was out of

the bidding, added \$% to \$54%.

LACK OF interest ahead of US

economic figures due, later in the week, left Toronto drifting

in the wake of the downward

to 3,978.4 on volume of 14.4m shares as declines led advances

Connaught BioSciences gained C\$% to C\$ 33%. Invest-ment Canada, the government

investment review agency, will

decide later this week if the

two bids for the vaccine manu-facturer will produce a net ben-

The composite index fell 9.4

trend on Wall Street

by 238 to 227.

Canada

reached a definitive agreeme

Among featured individual

### Technology issues push Dow lower

**Wall Street** 

WEAKNESS IN technology issues led the equity market lower yesterday in quiet trading, writes Janet Bush in New

At 2 pm, the Dow Jones Industrial Average was quoted 11.30 points lower at 2,720.14 on low volume by midsession of only 88m shares. On Friday the Dow closed 10.66 points higher

Among other indices, the broad-based Standard & Poor's 500 index was quoted modestly lower at midsession, the Nasdaq Composite was sharply down because of weakness in computer issues, but the American Stock Exchange Index was virtually flat.

A number of downgradings by Wall Street analysts of computer issues was at the root of yesterday's weakness in tech-nology stocks.

International Business Machines was not one of the stocks featured by analysis but nevertheless had dropped \$1% to \$95% by midsession, its low-

stocks most hurt were Compag Computer which plunged \$4% to \$81% on the New York Stock Exchange and Apple Computer which fell \$3 to \$38%

in over-the-counter trading. Compaq was undermined by news late on Friday that First Boston had downgraded its investment rating. Apple Computer was hurt by

news that Goldman Sachs, had downgraded its investment rat-ing to "hold" from "buy" and lowered his fiscal 1990 earnings estimate to \$4.10 a share from a previous estimate of \$4.50. Among other technology

issues dragged lower yesterday was Digital Equipment which fell \$1% to \$83%, Hewlett-Pack-ard which slumped \$1% to \$45% and Intel which dropped \$\% to \$33 in over-the-counter

Outside the technology sector there was little of interest. although there was a modest undermining effect from the Treasury bond market which had slipped by about % point at the long end of the yield

#### Friday's employment figures, including a sharp downward revision in the gain in the non-farm payroll in October, had revived hopes that the US Federal Reserve would finally feel justified in lowering its Funds target to 814 per

cent from 8% per cent. However, the Fed did not operate in the money market yesterday with Fed Funds at 8% per cent. Observers interpreted this as a sign that policy

remains on hold.
If the Fed had wanted to signal easier policy, it would have added reserves to the banking system to undermine the Fed Funds rate.

Unless there is a burst of end-year buying as money managers with underweight positions in equities adjust their portfolios, there seems little to give the stock market If there is no easing before the

end of the year, this could start to undermine confidence. Blue chin issues were generally weaker. General Motors slipped \$% to \$44%, Philip

### Pace-setters sprint for finish line

MARKETS IN PERSPECTIVE											
	% ch	ange in lo	sel currenc	y †	% change in sterling						
_	1 Week	4 Weeks	1 Year	Start of 1989	Start of 1989						
Austria	+6.27	+3.43	+66.26	+65.51	+90.47						
Belgium	-0.11	+2.26	+ 12.65	+9.91	+26.06						
Denmark	-0.01	+4.18	+47.00	+37.31	+56.81						
Finland	+4.63	+3.69	-4.09	-0.77	+13.28						
France	+2.89	+8.35	+ 34.37	+28.35	+47.06						
West Germany	+241	+7.00	+ 27.65	+25.14	+43.48						
ireland	+ 1.20	+4.98	+34,11	+30.27	+47.48						
taly	+0.09	+1.90	+ 11.51	+ 9.09	+24.94						
Netherlands	+ 1.80	+5.37	+26.93	+21.86	+39.79						
Norway	+3.52	+5.40	+49.95	+39.12	+54.46						
Spain	+0.27	+0.73	+8.03	+8.54	÷23.18						
Sweden	+2.16	-0.88	+27.85	+25,36	+38.49						
Switzerland	-0.69	+3.96	+26.57	+24.50	+34,12						
UK	+2.21	+6.19	+31.83	+28.50	+28.51						
EUROPE	+1.84	+ 5.54	+ 27.93	+24,51	+34.18						
Australia	+0.43	-0.20	+ 12.04	+11.01	+ 16.73						
Hong Kong	-0.51	-0.91	+5.06	÷3.65	+18.63						
Japan	+1,71	+6.27	+21.82	+18.72	+ 17.86						
Vaiaysia	+2.48	+ 10.09	+50.76	+48.13	+69.89						
New Zealand	-3.59	-2.85	+21.14	+ 15.37	+ 24.53						
Singapore	+2.76	+7.08	+39.90	+35.85	+56.43						
Canada	+0.30	+0.59	+20.82	+17.19	+37.86						
ICA	0.50	12.44	1 25 20	±24 97	±49.01						

By Alison Maitland

HE STOCK markets that look set to scoop the medals at the end of the year got a fresh boost of adrenalin last week to improve their lead in the final lap of the global race. Austria was out in front

again, spurting ahead by 6.3 per cent over the week. After falling behind in October and November, the bourse is up only 3.4 per cent over the past four weeks. But its gain since the start of the year is 65.5 per cent in local currency terms, and an astonishing 90.5 per cent for sterling investors. Driven by foreigners, Austria holds second place so far this year behind Mexico, which

pushed its local currency gain to 113.6 per cent with a rise last week of 4.5 per cent. South Africa, in third place with a 59.5 per cent climb this year, rebounded by 4.7 per cent last week as foreign demand pushed up both gold and indus-

trial shares. The Malaysian market added 2.5 per cent to take its advance this year to 48 per cent, while

cent by firm oil prices, larger-than-expected oil reserves, and domestic institutional interest in industrial shares. This leaves it 39 per cent better so

far this year. Europe had a strong week overall, the index rising 1.8 per cent. The main contributions came from France, Germany and the UK, up 29 per cent, 24

per cent and 2.2 per cent

Paris enloyed a seasonal rally, with volumes and blue chip shares picking up and a good set of September trade figures belining the mood. Germany, although behind France in terms of the index, saw a surge in volume to record levels as the car, construction, engineering and retail sectors savoured the promise held out by the changes sweeping East-

ern Europe. The UK was helped by the enthusiastic response to the water privatisation issue. In spite of Europe's strength, and a 1.7 per cent advance in Japan, the FT-Actuaries World Index rose by less than 1 per cent, held back by a lacklustre performance on Wall Street.

### Yen's weakness and price worries hold Nikkei back

THE YEN'S weakness and concern over the high level of prices undermined sentiment, but the Nikkei average man-aged a marginal gain in sluggish trading thanks to selective interest in special situations, writes Michigo Nakamoto in

Shares fell slightly in early shares led singuly in early trading but then gained almost 100 points by the morning close. The Nikkei average moved between a high of 37,840.37 and a low of 37,688.00 before closing with a token before closing with a token gain of 28.61 at 37,752.67.

Advances at 444 were slightly fewer than falls at 472, while 214 issues were unchanged. Turnover reflected the cautious tone, falling to 738m shares from the 850m traded on Friday. The broadbased Topix index made a modest gain, rising only 1.73 to 2,873.66. In London the ISE/ Nikkei rose 1.43 to 2,167.00.

Demand for equities was supported by expectations of further price rises ahead. An estimated Y350bn worth of investment trusts are expected week, followed by a further Y580bn from next week to the end of the month, according to

one of the big securities firms.

The quick pace and selective nature of yesterday's buying in a wide variety of stocks reflects the short-term character of the market, a feature typical of the closing weeks of the year, said Mr Yoshlo Shimoyama of Nikko Securities. A case in point was Maruetsu, a supermarket chain, which jumped Y350 to Y3,130 in active trading. There has been speculation that Shuwa, a real estate company which has accumulated a big stake in Maruetsu, would force Dalei, another retailer which also has a large shareholding, to buy back its shares at an inflated price. Yesterday, however, Maruetsu's popularity stemmed largely from its repu-

tation as a speculative issue subject to rapid price move-ments, said Mr Hiroshi Taguchi of Nomura Securities.
Oil companies were boosted by talk that the Soviet Union would have to sell gold or oil to raise much-needed hard currency and that Western sup-port for perestroika was push-

ing up gold prices and would also support a rise in oil prices. Mr Taguchi described the argument as flimsy, saying there was no evidence that any country was buying gold or oil in order to raise the price. Nippon Oil rose Y40 to Y1,880 in active trading while Sumitomo Metal Mining, Japan's leading gold mining company, firmed Y20 to

Y2,350 in the second most active trading of 31.4m shares. Sumitomo Metal Industries, the steel company whose pipes could be in greater demand because of Soviet plans to build a petrochemical plant in Siberia, topped the actives list with 33.4m shares and rose Y12 to Y916. Kobe Steel was also sought, emerging third in vol-ume with 15.4m shares and ris-

ing Y5 to Y863. Osaka failed to maintain its rising streak and closed lower for the first time in 15 trading days. The OSE index droppe 99.62 to 38.834.45 in thin volume of 81.8m shares, down from 85.0m on Friday.

THE behaviour of the Manila market, which re-opened for the first time since the attempted coup on December 1, injected some life into a lacklustre Asia Pacific region.

MANILA recovered some ground in late trading after ground in late trading arter steep falls in the morning, thus defying predictions of a col-lapse in share prices.

The composite index closed

106.04 points, or 8 per cent, lower at 1,211.82. Some analysts had predicted a drop of up to 30 per cent amid doubts about the country's political

The market was closed on December 1, when the six days December 1, when the six days of fighting began, much of it in the financial district where the Makati exchange is located.

SINGAPORE had a mixed session as profit-taking was punctuated by speculative buying by institutions. The Straits Times industrial index rose 3.58 to another post-crash high of 1,448.54. Advances led falls by 122 to 98 as some 76.5m

by 122 to 98 as some 76.5m shares changed hands. Malaysian issues were among the most active stocks on continued speculative huy-ing. Kemayan fell 2 cents to S\$1.03 on a turnover of 6.6m shares. Tan Chong, gained 9 rose 5.5 cents to 47 cents. Singapore Land, down 20 cents at

HONG KONG made some late progress but trading volume remained thin in the absence of fresh incentives. The Hang Seng index closed 9.22 up at 2,763.33 in turnover of HK\$634m.

Cheung Kong put on 5 cents to HK\$9.45 and Hong Kong Telecommunications gained 7.5 cents to HK\$4.67.

SEOUL fell for the ninth consecutive session to its lowest level for the year. The composite index closed at 844.75, down 5.27, in slow trading of 7.9m shares worth 167bn won. Falls outnumbered gains by 650 to 125. The previous low of 846.30 was set on July 1.

Investors continued to pro-test at the downward trend with a series of sit-ins at brokerage firms which interrupted dealing in Pusan and Kwangju. The protestors urged the Government to boost the South Korean economy, although recent measures, such as subsidies to securities houses, have failed to stop the slide.

TAIWAN continued its

downward trend amid caution about the outlook. The weighted index, which shed 105.63 points on Saturday, fell another 232.09 to 8.176.08 Trading volume of some 789m shares, valued at NT\$81.5bn, was slightly better than Saturday's 770m valued at

NT\$77.7bn. Falls outpaced rises by 162 to 19. The industrial sector suffered the biggest losses while smaller falls among the banks saved the market from a

steeper decline.
AUSTRALIA began the week
in lacklustre fashion as pre-Christmas lethargy saw shares drift lower in thin trade. The All Ordinaries Index fell 10.2 to 1,615.8 as 73.6m shares worth A\$114.2m changed hands in the lowest turnover for more than a month. Falls outnumbered rises by 220 to 104.

#### **SOUTH AFRICA**

INDUSTRIAL and gold shares continued last week's positive run amid bullish sentiment. The JSE all-gold index closed up 46 at a preliminary 2,208. The overall index reached a

able, with Germany and Scan-dinavia putting in the best performances, writes Our Mar-

kets Staff.
FRANKFURT paused for breath after last week's record turnover and solid gains, although a strong banking sector offset profit-taking else-

The DAX index of blue chips finished 2.93 better at 1,653.72 after the FAZ had shown a gain of 2.71 to 693.97 at midses-sion. Turnover was healthy at DM6.8bn, but below Friday's hefty DM8.8bn.

Dresdner Bank produced a nearly 21 per cent rise in its 10-month partial operating profits, which was at the top end of expectations. The stock ran up to DM400 before the figures and then eased slightly on profit-taking to close DM8 firmer at DM398.50.

Deutsche Bank, which is expected to report in the next day or so, gained DM13 to DM766.50. But Bayerische Hypotheken Bank eased DML50 to DM407 after its 7 per

cent profits rise.
Preussag, the metals group won approval from the federal cartel office for its takeover of Salzgitter, the state-owned steel company which has strong links with East Germany, and the share price rose DM15 to DM400.

that the market has further to especially if more US and se money flows in. "A fair few funds are still not yet fully overweighted - they're up to weight but not up to their required overweight stance," said one analyst.
"They may be waiting for a
correction in order to enter again and pick up blue chips on weakness."

He also suggested that con-struction stocks were begin-ning to underperform the market after their enormous strength this year, although it was not clear whether this was due primarily to the cold weather or to signs that busi-ness might slacken a bit as interest switched to cheaper property investments in East ern Europe. "All the good fac-tors such as the housing short-age, tax incentives and the age, tax incentives and the commercial building boom have been discounted," he said.
Bilfinger & Berger shed DM10 to DM665 and Hochtief was off DM10 at DM985.
PARIS ended near its lows

IT WAS a day for taking stock, on profit-taking after last and profits, in Europe yesterday. Volume levels were varibest levels of last week, at

about FFr2bn. Michelin, the tyre maker, retained its bounce, however. It finished 90 cents better at FFr175.60 in high turnover of 734,000 shares, given a fresh boost by its higher nine-month

WORLD INDEX ....

sales figures. Groupe Victoire was actively traded as Suez, which won control in the summer, bought up minority shares. The ordinary shares rose FFr1 to FFr2,276 and participation certificates

were up FFr4 at FFr1,138. Pechelbronn, the holding company, shed FFr103 to FFr1,706 after its run-up last week on speculation that a higher price could be offered to minority shareholders under

its restructuring plan.
A survey from the Insee statistical institute indicating that capital investment should grow by 14-15 per cent next year was seen as positive for economic growth but problem-atic for the trade balance. The OMF 50 index eased 2.10

to 538.56 and the CAC 40 index was down 8.20 at 1,971.09.

start, led lower by banks and insurance stocks in very light trading. The Comit index lost 4.7 to 664.52.

Turnover eases as bourses catch their breath

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23.98 +21.67 +29.44

De Benedetti group stocks were easier as investors awaited the outcome of the awarted the outcome of the board meeting of AME Finan-ziaria, the financial holding company which owns 50.3 per cent of the ordinary shares in the Mondadori publishing

STOCKHOLM was in optimistic mood, buoyed by talk of further restructuring in the bank and insurance sector following last week's bid by PKBanken for Nordbanken. The Affärsvärlden General index closed 5.4 higher at 1.195.9.

Trygg-Hansa, the insurance group, had a lively debut, trad-ing in the SKr200 region, and closed at SKr205, above market

expectations.

Pharmaceutical shares were in focus later in the day, with Pharmacia free B shares closing SKr6 up at SKr165. Bourse authorities warned that final share prices could be

affected by a computer fault.
OSLO failed to live up to expectations following Friday's plans to sell some of its indus-trial assets next year. The view was that this would not, after all, involve any of the large stakes in the likes of Norsk Hydro and SAS.

Trading was active and generally positive, however, with the all-share index closing up 2.58 at 508.25. HEISINKI saw the Unitas all-share index rise 1.5 to 615.2

n moderate trading. The forestry sector attracted afternoon attention following the merger announcement by United Paper Mills, Metsa Serla and Kemi Oy. Their shares were suspended.

VIENNA moved up in active

trading, the bourse index clos-ing 7.11 up at 480.92. The mar-ket mood remained positive after last week's strong performance and volume was above average, with 21 stocks rising and 9 falling. AMSTERDAM ended a dull

day on a flat note as a weak dollar and a poor start on Wall Street pulled prices slightly lower. The GBS tendency index eased 0.3 to 187.3. Unilever rose 30 cents to Fl 159.40 against the trend. The

company is expanding its activities in Chile through the

cents to Fl 46.90. The Government flotation of 26m Postbank shares was 2% times oversub-scribed, the bank said.

acquisition of a company that produces margarine and edible fats and oils. Philips, trading ex a 60-cent dividend, lost 30 cents to F1 47.20.

NMB Postbank eased 30

BRUSSELS finished easier with the biggest losses in the steel and non-ferrous metals sectors. The cash market index fell 40.30 to 6,507.61.

Steelmaker Cockerill slipped BF18 to BFr203, with 364,500 shares changing hands, on news that the company expec-ted a downturn in profits in 1990 because steel prices were likely to fall next year. Clabect eased BFr150 to BFr1,400 and Arbed fell BFr90 to BFr5,550. MADRID was pulled lower by a weak banking sector and the general index lost 0.71 to 303.55. Tabacalera, the tobacco and food stock that has been popular with foreigners, shed 17 points to 810 per cent of par. ZURICH held steady in a slow and lethargic ses the high interest rates in Swit-

zerland continued to dampen interest. The Crédit Suisse index fell 1.2 to 625.7.

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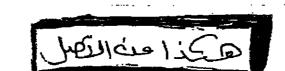
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### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzle in conjunction with the Institute of Actuaries and the Faculty of Actuaries

REGIONAL MARKETS		FRE	MY DECEM	/BÉR 8 194	<u> </u>	THURSDAY DECEMBER 7 1998			DOLLAR INDEX			
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (apprex)
Australia (85),	147.26	-0.6	138.23	124.98	-0.6	5.44	148.11	139.42	125.79	160.41	128,28	145.56
Austria (19)	159.58	+0.2	149.77	148.69	+ 0.0	1.66	159.21	149.87	146.69	172.22	92.84	98.10
Belgium (63)	148.69	<b>-0.8</b>	139.57	135.77	0.6	4.06	149.84	141.05	137.64	150.00	125.58	134.88
Canada (122)	` 151.11	+ 0.3	141.84	127.15	+0.2	3.21	150.71	141.87	126.87	154.17	124.67	121.42
Denmark (36)	233.28	-0.6	218.97	218.29	0.6	1.45	234.64	220.87	219.64	237.06	165.35	157.92
Finland (26)	129.44	-0.4	121.50	113.45	-0.4	2.49	129.92	122.30	113.92	159.16	118.63	137.75
France (126)	147.71	+0.6	138.65	140.30	+ 0.6	2.65	146,82	138.20	139.50	147.71	112.57	112,34
West Germany (96)	110.18	-1.1	103.42	101.51	-1.1	2.06	111.41	104.87	102.68	111.41	79.58	88.26
Hong Kong (48)	115.80	- <del>0</del> .5	108.70	116.16	-0.5	4.90	116.41	109.58	116.78	140.33	86.41	110.33
Iroland (17)	169.68	<b>-0.9</b>	159.26	160.78	-0.8	2.70	171.15	161.11	162.02	171.45	125.00	131.59
Italy (97)	92.87	+0.2	87.17	90.58	+0.0	2.52	92.73	87.29	90.58	96.73	74.97	85.04
Japan (455)	197.07	<b>-0.3</b>	184.98	179.63	-0.3	0.45	197.62	186.03	180.26	200.11	164.22	190.81
Malaysia (35)	212.87	+0.0	199,81	221.77	+ 0.0	2.39	212.83	200.34	221.80	212.87	143.35	142.35
Mexico (13)	297.37	+0.0	279.13	864,46	+ 0.0	0.60	297.24	279.80	864.46	326.61	153.32	174.59
Netherland (43)	137,19	+0.2	128,77	125.20	+0.3	4.25	136.86	128.83	124.87	137,19	110.63	110.44
New Zoaland (18)	73.50	-0.3	68.99	65.74	-0.3	5.43	73.71	89.39	65.93	88.18	62.64	
Norway (24)	187.36	+ 1.4	175.87	172.23	+1.3	1.59	184.76	173.92	170.09			65.84
Singapore (26)	170.87	+0.3	160.39	152.25	+02	1.97	170.35			198.39	139.92	131.35
South Africa (60)	181.02	+0.3	169.91	156.71	+0.4	3.65	180.28	160.35 169.70	151.98	170.87	124.57	121.73
Spain (43)	159.59	+0.0	149.80	138.25	+0.0	3.80			156.07	181.02	115.35	122.90
Sweden (35)	174.86	+ 1.8		164.37	+ 1.8		159,59	150.23	138.25	169.75	143.14	150.08
			164.13			2.08	171.75	161.67	161.51	188.94	138.45	144.32
Switzerland (62)	91.43	-0.8	85.82	90.55	-0.4	1.98	92.15	86.74	90.95	94.16	67.81	78.99
United Kingdom (304)	151.83	+0.9	142.52	142.51	+0.6	4.34	150.45	141.62	141.62	158.41	133,28	134.72
USA (5-14)	141.33	+0.2	132.66	141.33	+0.2	3.30	140.98	132.71	140,98	146,29	112.13	112.79
Europe (991)	134.37	+0.3	126.13	125.27	+0.1	3.36	134.03	128.17	125.09	134.37	112.63	114.14
Nordic (121)	175.60	+ 0.7	164.82	157.84	+0.6	1.80	174,43	164.19	156.86	178.38	137,95	137.61
Pacific Basin (668)	192.05	-0.3	180.26	175.00	- 0.4	0.69	192.60	181.30	175.62	194.72	160,44	185.66
Euro — Pacific (1699)	169.08	-0.1	158.71	155.11	-0.2	1.55	169.27	159.34	155.42	169,43	141.56	157.03
North America (666)	141.81	+0.2	133.11	140.43	+0.2	3.29	141.48	133.16	140.09	146.66	112.79	113.24
Europe Ex. UK (687)	122.59	-0.2	115.07	114.75	-0.2	2.69	122.83	115.62	114.97	122.88	96,30	101.04
Pacific Ex. Japan (213)	131.88	~ 0.4	123.79	117.91	-0.5	4.90	132.48	124.70	118.51	140.05	111.93	124.16
World Ex. US (1854)	168.65	-0.1	158.30	154.41	-0.2	1.63	168.82	158.91	154.68	168.91	141.49	
World Ex. UK (2094)	158.44	-0.1	148.72	150.72	-0.1	1.94	158.56	149.25	150.88	158.72	136.98	155.45
World Ex. So. At. (2338)	157.68	+0.0	148,01	149,88	+0.0	2.14	157.67	148.42				139.51
World Ex. Japan (1943)	139.16	+0.2	130.63	134.58	+0.2	3.38	138.86		149.95	157.90	135.57	139.17
								130.71	134.35	140.43	114.51	114.16
The World Index (2398)	157.82	+0.0	148,14	149.92	+0.0	2.15	157.81	148.55	149.98	158.00	136.68	139.07
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# **SECTION III FINANCIAL TIMES**



Li Peng, the hard-line premier, and his old guard, face growing resentment following the Peking massacre

in June. As Deng Xiaoping fades, and bureaucratic paralysis sets in, uncertainties and looming power struggles cloud the future.

Colina MacDougail reports

### Inequality and poverty

would or could China ever put its reform, a success even if partially flawed, into reverse? Now there is an answer, and against all the dictates of com-

mon sense, it is "yes."

After at least five years of behind-the scenes power strug-gle, cubainating in the massa-cre of demonstrators in Tiananmen Square last June, China's hard-liners have resumed control.

In the teeth of liberating changes in eastern Europe, Peking is back-tracking to an inefficient, ideology-bound, party-controlled system which offers power and perks to leaders but appears to offer a life of poverty and injustice for the rest.

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Looked at from the west, China may seem to be moving against the historical trend as the peoples of eastern Europe begin to overthrow their party systems. But these were mostly kept in power by the threat of Soviet tanks. In China the party has its own tanks and is not abaid to use

The Chinese communists were conquerors, not puppets,

FOR ALMOST a decade, and it is the had luck of Chioutsiders have asked them-na's 1.2bn people that so many selves the \$64,000 question: of its first generation leaders victorious generals of the civil war but ill-endowed to manage a sprawling and prob-lem-ridden economy — are

This power struggle has been some time in the making. It surfaced in 1985, when the reforms — and by implication the reformers – were openly criticised by Chen Yun, a senior elderly hard-line economist at an important party

The rumblings bubbled up in summer 1968 when the reform-ers became vulnerable after student protests at the end of 1986 and the economic confusion of the following 18

It finally came to a head this year when the conservatives gained enough support to put pressure on Deng Xiaoping, China's supreme leader, to use the army to put down the stu-dent protesters in Tianammen Square, and dismiss Zhao Ziyang, the reformist party

Now in control, they are moving to undo many of the reforms which, though they led to some serious problems, pro-



A future at risk?

vide in the long run the country's only route out of poverty.

Even before the bloody denouement on the night of June 34, thoughtful Chinese knew the reform was in danger. "If the people fail in these demonstrations, China will be finished," said one prophetically in late May, in a bar in Peking. "This is the crisis point," he

"It'll be goodbye to Hong Kong as a place that works, the intellectuals in Zhao's thinktanks will be out of a job, Li Peng (the conservative pre-mier) and Yao Yilin (the equally conservative vice-pre-mier) understand nothing, and yet again, China will miss the

said, voice breaking with emo-

odernisation bus." Unaware at that point of the bloodshed and witch-hunt to follow, he underestimated the

The hard-liners had noted the rise of Solidarity in Poland. Their perennial fear was the emergence of a similar movement in China. They also became aware that intellectuals young and old were leaving China in droves, and when they came back they

brought disturbing ideas about

CHINA How long can this reversal of

honest meritocratic government and plural political At the same time the decen-

tralisation of the economy gave the idea of personal responsi-bility (never strong in (China) a boost - managers were allo-cated hitherto undreamed of

Zhao Ziyang was seem by the conservatives as a threat for promoting these ideas. When the student protest challenged the party in April, Deng Xiaoping appears to have abandoned

Zhao was already in trouble because the reform policy had led to high inflation and a dis-turbing amount of corruption. These did indeed need allevia-tion. But the measures Li Peng and the other hard-line leaders took are enabling them to tighten their political control, strengthening their grip on wayward provinces and insti-tutions and rebuilding the

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the reform last? The most optimistic scenario among Peking-watchers is that, in the long term, as younger men take over and the over-80s die off, China may resume the path of reform it followed fairly suc-

cessfully until last year. When Peking gets to its third generation of communist leaders and educational and living stan-dards rise, the modicum of political change which eco-nomic flexibility demands might be accepted. There is no alternative government in the wings, so the only realistic source of reform must be found

within the party.

However, this is too far down the road for clear predictions, and in any case communist parties have no record of reforming themselves. Moreover, most analysts believe that in the short and even medium term China could have a very bumpy ride indeed.

Already the economy looks

about to make a crash landing after Li Peng's blanket efforts after Li Peng's blanket efforts to restore control. Discontent in the cities is running high because of inflation, and will run higher because the onset of a slump now means unemployment and substantial cuts in bonuses and perks.

In Peking at least, the student demonstrators had a lot of support from the workers.

support from the workers. Liu Binyan, one of China's leading dissident exiles, predicted last summer that worker strikes and go-slows would become a regular occurrence. Even the farmers are readier to consider violence when faced with rigid officials: "Liu quoted 7,000 cases of armed resistance to grain col-lection," said a western Peking

diplomat.
Since the June massacre Deng has created an uneasy balance in the leadership between old-style hard-liners and pragmatists such as Jiang Zemin, the new Party General Secretary and former leader from Shanghai.

Although Jiang was officially given the top job in the military as well (Chairman of the Party's Central Military Commission) even he seems to admit he has no real power, claiming to be unqualified for both posts.

A death among the octoge-narians running things – even if not of Deng himself – could set off a chain reaction of power-grabbing which would desta-bilise the rocky leadership.

The fittest appears to be the one China could most do without - President Yang Shangkun, an old army man with a host of cronies in the military who are consolidating their power under his tutelage. President Yang, 82 years old,

shows little sign of decrepi tude. He has recently taken up The Yang family typify the

most obvious trend in the lead-ership, which is to secure the future by placing trusted relatives in vacant jobs.
In China elderly leaders are

vulnerable if they cannot continue to dictate events from their armchairs - and with blood on their hands, the gang

#### CONTENTS

☐POLITICS; ☐FOREIGN POLICY DAGRICULTURE: DINDUSTRY;

□TRADE; □FOREIGN INVESTMENT; PROFILE: Ye Xuanping: GUANGDONG DATTELLECTUAL LIFE; OTHE ARMY

Editorial Production:

who masterminded the massacre need at all costs to suppress opposition. This means in the medium term a hard-line leadership is

likely to flourish, with all the modern control techniques at its disposal.

Today Peking is bristling with the latest spy gadgets to aid the security men. Television cameras monitor the main road intersections, uniformed security men with two-way radios patrol hotels, and cars without number-plates tour the

streets. The people are crushed but not lifeless, as the reports of stolen weapons and sniping at soldiers bear witness: "We Chinese always seek revenge," said a man on a Peking omni-

Deng himself appears to be fading. Now fully retired, deaf and occasionally incoherent, he occupies the position Mao held before his death - the hugely influential patriarch who intervened only when the

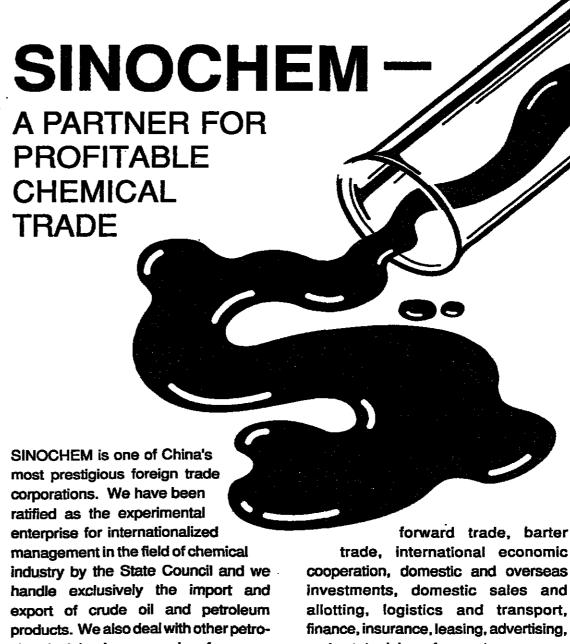
leadership was at risk. Very few people question that it was Deng who pulled the army together to suppress the demonstrations, just as ironically - it was the ageing Mao who sacked Deng in 1976, holding him responsible for the Tiananmen riot of that year. But his role is clearly a transi tional one, and below him, the hard-liners are consolidating.

As Chinese leaders continue their Byzantine struggles for power, the underlying prob-lems remain unsolved. The population continues to increase inexorably, even as Peking clamps down on eco-nomic growth and the private enterprise which generated the best part of it. The new, tighter grip on

agriculture and the stagnation of industry will mean a growing equality of poverty.

Delays in the supply of mod-ern technology (because of western post-Tiananmen sanctions) will waste time that the country can ill afford to lose. As the younger conservatives dig in, prospects for even the long term future look bleak.





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Is ghostly Tiananmen Square symbolic of the country's politics?

### Roots of revolution remain

ONLY HEAVILY clothed and armed police move about in Tiananmen Square. The sentinels preside over the emptiness in front of the brooding por-trait of Mao Zedong in the cor-doned plaza that serves as China's political centre.

The square is ghostly and forbidding with the mist of winter refracting the ochre glow of its lamps. However, the grandeur of the Forbidden City cannot leaven the loneliness of

What sort of government is it, people whisper privately, that must block entry to its most significant symbol.

In May, when hundreds of thousands celebrated what they hoped would be a nice.

China, the square had life. Now it radiates the military brutality the Communist Party unleashed on its own, largely unarmed, citizens.

China's democratic revolution came and went just like the mist that hangs over the capital, but its genesis and underlying roots remain.

The party's oligarchy of old leaders resurrected the past to cling to power when it used the army on June 4. It was a desperate, and one suspects, futile gesture that may survive only as long as the octogenarians.

Despotism is back on top only half a year after the great-est show of democratic will in four decades of Communist rule. But it has little public support. The uprising of April and May was not a planned counter-revolution but a reflec-tion of public dissatisfaction

with the regime. More than 100,000 students



troops entering the Forbidden City under Mac's gaze

petitioned the Government for mild political reform. They had the voluntary backing of millions fed up with party corruption and mismanagement.

What began as limited mourning for Hu Yaobang, the devosed party chief, who died on April 15, escalated into near-rebellion because ordinary people sensed degeneration, betrayal and failure in their overlords. The liberal Party Secretary, Zhao Ziyang, and some of his reformist fol-lowers tried to take advantage of the discontent but they were as uncertain of its outcome as the eight old retired "emperors" who ordered the military

to restore order.

Zhao Ziyang, sacked for not joining in the bloodsbed, was as much a victim of the uprising as its hero. He could do nothing to ratisfy the cries of the people b scause he, like Hu Yaobang before him, was not in charge. Control in China rests with the ageing clique headed by Deing Klaoping and it was unable to countenance fundamental change.

Its reactionary stance not only triggered the death of more than 1,000 citizens. it plunged China lack into isolation and stagn: tion, a condi-tion that means unstable rule and deep division at the top. Deng has retired and placed his latest nomince for emperor.

Jiang Zemin, in the nominally supreme posts of Party and Central Military Commission (CMC) chief. But with President Yang Shangkun, his brother, Yeng Baibing and Premier Li Peng all holding important jobs and hardline views, the relatively liberal Jiang has about as much chance of effecting a shift in thinking as his

Deng stubbornly insists on upholding the ". Four Cardinal Principles," which amount to the domination of the Party, and has a fanatical opposition to "bourgeois liberalisation" (western values). Consequently, the Government is locked into the same paradox that created the democracy rallies. Deng is a pragmatist who wants economic reform only insofar as it is not a threat to the Party's despotic apparatus. But, as events in China and eastern Europe have shown, one leads to the other.

China has the added compli-cation of influential, Party elders who refuse to retire or permit fresh ideas to emerge. Men such as Chen Yun and Bo Yibo have tried to upset economic reform, while ideologues Deng Liqun, Peng Zhen and Li Xiannian, have insisted on Marxist orthodoxy. When the military figures of Wang Zhen

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and Yang Shangkun are included, the leadership is seen as intractably feudal.

There is, in any case, serious doubt about whether Jiang Zemin, a former Shanghai Party head, can carry on with the reforms Deng pioneered a decade ago, even with the patriarch's blessing.

It is the hardline Prime Minister Li Peng who is calling the shots, reliable reports say, not the urbane Party secretary. Jiang's much eulogised National Day speech, pre-scribed as essential reading, was drafted by a team reporting to Li Peng.

Every significant decision, down to approval of delega-tions travelling abroad, has to go to Li Peng's State Council. Jiang is seems unable to act alone on matters as procedural as the reinstatement of the State Economic Commission.

Economic policy is firmly in
the hands of Li Peng and his

deputy, Yao Yilin, and the powerful security apparatus is under the control of another Politouro hardliner, Qiao Shi. Ideology and propaganda, which have also taken on renewed significance since June, is the province of the ambitious former Tianjin mayor, Li Ruihuan. He is seen as a likely contender for

Jiang's job, or even Li Peng's.

The succession is anything but established, with important old guard figures such as Chen Yun and Peng Zhen supporting Li and Qiao rather than Jiang. This means a power struggle in which little will be done to address China's chronic economic problems. Corruption within a bloated

and privileged bureaucracy will persist, in spite of much-ballyhooed official attempts to stamp it out. Inefficient centralised controls will reemerge, dragging down the standard of living and thwarting the raised expectations of a

new generation. Reformers with the skill and drive to overhand the jugger-naut, assuming they have not been purged, will keep their heads down. Affluent provinces such as Guangzhou, in the south, which have gained greatly from reform and foreign investment, will attempt to circumvent the centre's demand for reduced growth. This will only exacerbate exist-

ing tensions.
The Government may partly succeed in bringing down infla-tion, which will be welcome and defuse at least some of the discontent that spurred protests earlier this year. But it lacks the vision to see that China's political system may self-destruct.

The manipulative state bureaucracy is ballooning while its grass roots support has fallen. Officials in state and Party organs have mushroomed from 1.8m at the peak of the Party's popularity in 1957 to 27m without lowering production costs.

At the same time, speculation and profiteering among state enterprises has become endemic, and there is little chance that the anti-corruption campaign will provide a mean-ingful remedy. This, and the excesses of June, has led to many younger Chinese being reluctant to join the Party, and induced a lack of confidence in political structures and senior

Although few would say the regime is about to collapse, it is shaky and likely to have to contemplate a return to reform. There are many observers who agree with exiled intellectual Lin Binyan, when he says that "the life expectancy of this Government cannot be long."



Robin Pauley, Asia Editor, on the worst foreign relations year in a decade

### June massacre tarnishes image

CHINA IS ending its worst foreign relations year in more than a decade. Peking bas spent the 1980s building up its relations and improving its image. This year, it planned to crown the achievement by patching up its 30-year-old quarrel with the Soviet Union, during President Gorbachev's visit to Peking.

China has been reviled for the Tiananmen Square massa-cre in June. It has lost goodwill and economic aid; it has attracted criticism for its sup-port of the Khmer Rouge, it has watched with dismay as communism crumbles in eastern Europe; and, three more small countries have established diplomatic relations with Taiwan and cut ties with Peking.

Qian Qichen, the widely respected Foreign Minister admits there have been problems and is anxious that rela-tions on a number of fronts improve. But he insists China annot be pushed.

"China is not afraid of isolation and it is impossible for China to be isolated. In the isolate China but none succeeded. Some countries led by the US tried to isolate and blockade China between 1949 and 1972. Their effort was to no avail From 1960 to last year, countries led by the Soviet Union also adopted a policy of isolation and blockade against China and they did not succeed

either," he says.

He adds that more than 100 countries have expressed their "understanding and support" for China since the June massacre while only about 20 have enforced sanctions."

But the 20 are 20 that matter and the cut-off of high-level military contacts and the freezing of loans is hurting China badly. Officials in Peking admit that at least \$10hn of loans, including \$300m from the British Government, have been suspended and no negotiations for new borrowings are under way. China is particularly critical

of three countries – the US, Australia and France – which have taken a strong stand against the June killings and have given sanctuary to escap-ing dissidents.

Sino-US relations are, says Qian, at a crossroads and it is up to President Bush to decide what course to take. Both for-mer president Richard Nixon and Dr Henry Kissinger, his Secretary of State, who rees-tablished relations with China in 1972, have recently been on separate private visits to China. They were received by senior leaders but the old warmth was gone and neither the Nixon nor the Kissinger visit provided any hope for an immediate change.

The Chinese certainly want to get back to normal with the US for economic reasons. While Britain can find an

excuse by saying that events in June have affected Hong Kong, the US cannot find such an excuse. Sanctions by the US gainst China harm China's nterests but also harm the nterests of the US," says Qian. China had another diplomatic setback this year. Belize, Grenada and Liberia have established full diplomatic rela-tions with Taiwan. China, which takes pride in its good relations with black Africa and with being the protector of small states, severed links with all three. Relations with Belize had survived 32 months while Nicaragua is the only central American state with relations with Peking rather than

China's economic crisis means it can no longer back up its diplomatic efforts with generous development aid, while



Li Peng (left,): watching events. Qian: admits to problems

Taiwan, sitting on cash and gold mount ains, can. China gave \$20m to Liberia over 12 years but last year the Monrovia administration received \$140m from Laiwan for a road

construction project.
As black African links weaken, China established a trading link with South Africa, previously unacceptable to the

Transport inefficiencies within China mean that coal from its vast reserves cannot be transported in great enough quantities to the industrial areas which need it. It is easier to get coal from abroad, particularly Australia, even if this means using precious foreign currency. This year the southern province of Guang-dong has imported steam coal from South Africa and has bought a coal gasification plant from a South African company.

The student demonstrations in May were in full swing when President Gorbachev visited Peking for the first Sino-Soviet suremit for 30 years. Since then, President Gorhachev has carried out political and economic reform in the Soviet Union while China has reverted to a conservative

approach. Economic collaboration between the two remains unlikely particularly as both are more interested in western high technology than in each other's less advanced equip-

"The major development since the normalisation of rela-tions is that after a period of alliance and also a period of confrontation we have entered a peaceful relationship without either confrontation or alli-

ance," says Qian.
One important result is the reduction of tension on the Sino-Soviet border, the world's longest border, and both sides are reducing troop concentra-

are recucing tions in the area. Similarly, discussions between India and China about reducing tension along their disputed border have this year made significant progress. China's dispute with Indonesia, dating back a quarter of a cen-tury, looks closer to resolution since the first high-level Chi-

nese visit this month.
China's official position on developments in eastern Europe is that all countries are free to choose their own systems. But as Premier Li Peng noted, the Chinese government is watching events with concern" and the central committee's policy research office is assessing the implica-

As eastern Europeans reject centrally planned communist administrations and opt for plural democracy, China is anxious not to be increasingly isolated in a decreasing group of states such as North Korea and Romania. On the other hand, the determination to keep the Chinese Communist Party in absolute power is stronger than at any time in the past decade.

The West has two cards it



could play in return for allow-

ing China to return gradually to the fold: Cambodia and

Hong Kong. China is the main backer of Pol Pot's Khmer Rouge guerrillas in the Cam-

bodian civil war and with-drawal of Chinese support

would be the single most

important step in preventing

their return to power.

the Khiner Rouge was having in some foreign capitals, was looking for ways out with international help.
With its international repu-

tation in tatters, this is less of a problem, as Qian says: "We support the formation of a democratic coalition govern-ment made up by all factions in Cambodia headed by Prince Sihanouk. The impression gained by the outside world of Ghina as a country which supports the Khmer Rouge only is a false impression. Besides, the resistance forces headed by Prince Sihanouk have a legitimate of the country in mate government recognised by the UN, not only by China." This view has recently been

reinforced by the decision of the majority of UN members. including Britain and the US, to support the continued occupation (a Cambodia's UN seat by the group dominated by the Khmer Rouge. But if the West were to drop their support of the Khmer Rouge and then help China to find a way to do the same in return for an easing of sanctions, the chances for an end to civil war in Camincreasingly embarrassed China has taken an increasabout the effect its support of ingly tough stance on the

future of Hong Kong which will be handed over to Peking by Britain in 1997 and which it

egards as a domestic matter. Qian and Li Peng have both castigated Britain for making Hong Kong an international laste, particularly by raising it wealth heads of government meeting in Kuala Lampur in

Qian has accused the UK of following a "highly erroneous" policy by not abiding by agreements reached with Peking.
Peking has become increasingly aggressive in its determination not to allow much development towards democracy in Hong Kong under the Basic Law being drafted. The British and Hong Kong governments, analysis to give Hong Kong people more rights since the June massacra was nowacca.

the June manager, are propos-ing to speed up the introduc-tion of democracy.

As with the Cambodia laune, the West holds powerful eco-nomic weapons, having imposed sunctions, Qian is forrect to say that China has proved that it can survive iso-

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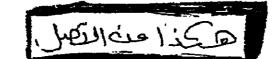
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AS THE world economy starts o slow, many countries are inxiously trying to fine time heir policies and assess their hances of achieving a soft ather than hard landing, Jina's economy is crash landng, leaving a trail of destruc-ion of good as well as bad

The troubles pre-date the urmoil following the student lemonstrations which culmi-lated in a massacre by the army in Peking on June 4. lowever, events since then -nave made the economic prob-

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ems worse. China's real economic prob-em is that updating and pmy in a vast country of 1.2hn beople requires a long transl-ional period during which sophisticated financial, bank. ng, monetary and policy evers can be developed.

In the meantime, progress will inevitably be hampered by the use of blunt instruments and the dramatic changes which they produce Stop Go and stagilation are difficult enough to avoid in fully devel

pped economies. In China they probably are inevitable but are made worse by the replacement of eco-comic reformers at the top of the Peking leadership by economic conservatives.

China's economic problems date back to 1988. The liberal economic policies were producing too much growth of the wrong kind and spiralling inflation.

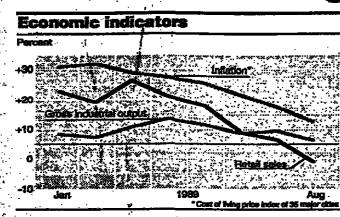
During 1988, official figures, all of which are probably understated, showed industrial growth at 18 per cent, money supply grawth at 85 per cent and inflation between 25 and 50

per cent. -The economy was overheating in the werst possible way with consumer spending racing ahead, fuelled by large real

### Economic troubles pre-date the student unrest but events since then have worsened the problems

هكذا حن النَّصل

## Crash landing leaves a trail of destruction



wage rises which far outstripped productivity. Domestic supply shortages meant con-sumer demand could not be met without huge incres imports, particularly of con-

somer hixary goods.

The concentrant price rises caused steep increases in con-sumer inflation - up from an

and the average for 1989 could turn out below last year's level with single-figure monthly

China's real problem is that updating and reforming a moribund economy in a vast country of some 1.2bn people requires a long transitional period

official average rate of 8 per cent in 1987 to 18.5 per cent in

An austerity programme was launished in September which has achieved some of its objectives. Although the official average rate of inflation for the first nine months of this year was about 23 per cent this was

ures, well in excess of 30 per cent, coming through at the eginning of the year. The rate of increase has slowed rapidly since May, was in the low teens by September

rises occurring in 1990. There have been accompany-

ing benefits for the economy.

Industrial growth has slowed

to an estimated 7 per cent or

less this year compared with 18 per cent last year. Growth in light industry is down from

about 20-per cent last year to about a quarter of that rate.

because of the very high fig-

year, up 90 per cent on the same period last year. China's economic managers appear to have taken some of the correct cooling down measures. But there has been a

heavy price. In spite of some of the deleterious consequences which are becoming apparent, the conser-vative leadership which gained prominence after the fall of Zhao Ziyang, the economic libplenum in Peking its determi-nation to continue the austerity programme for a further

Retail sales have slumped

and the surge of imports has finally been choked off narrow-

ing the yawning gap between exports and imports which

resulted in a \$6.5bn trade defi-cit in the first nine months this

two years.

Rectification is a very difficult process and only after several years of tightening belts, uniting and hard struggle can

Cost of living 1989

An important part of the programme has been a credit squeeze. But it is biting the wrong sectors. The idea was to cool growth not to kill it; yet industrial growth in October actually contracted by 2 per cent compared with October 1988, the worst monthly figures

The large inefficient state monoliths are suffering least from this contraction. While restrictions remain as tightly wound as ever for the small town and village enterprises but they have breathed life into the economy and helped to soak up 90m surplus workers from the agricultural sector.

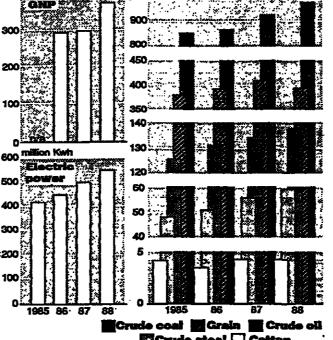
se enterprises have been one of the great success stories but official figures show that under the austerity programme more than 1m have been forced into closure.

The true figure is probably much higher and rising daily. Chinese factories and businesses, unable to get fresh credit lines, are shutting down or scaling back their operations to a minimum. Officials in Peking say that

many such enterprises were corrupt or inefficient as they were duplicating each other, which is partly true, but policy is killing the good with the

The large state enterprises continue to be loaded with both credit and subsidies -\$18bn worth in 1988 - which encourage inefficiencies while: essary production is being cut-

Investment in fixed assets is



Economic performance

\$ billion

Crude steel 🗌 Cotton



estimated to be 20 per cent down this year compared with 1968. China has returned to its old style of protecting and rewarding the incompetent at

the expense of the productive and efficient. While small profitable enterprises are forced to close, gigantic stockpiles of, for

steel continue to build up.

There has been a collarse in domestic demand for motor cars which has caused serious problems for foreign joint venare partners which cannot sell vehicles. Nevertheless the cenimport more low quality cars from eastern Europe in barter

leals; 30,000 have arrived so far

this year, not one of which has been sold, and more are on the

The next problem is that the slump in retail sales and therefore in profitability is not a result of trimming of real wage rises. Pay and bonuses contimue to rise, often regardless of productivity in the large state enterprises, but workers have stopped their spending spree and have channelled much of their surplus; income in state bank savings where interest rates of some 30 per attractive against falling infla-

The Government insists that the open-door economic reform policy continues because it wants foreign investors to continue to put money into China.

But it is under the old central planning "bird cage" concept developed years ago by Chen Yun. He believed markets, like birds, should be allowed to fly but within the cage of socialist control.

The crash landing of the economy comes at a time when China's debt mount in, although not great by relai. ve international standards, has reached \$40bn and faces a peak in repayments in the early

Few problems highlight the real difficulty in China as much as the foreign debt ques-tion. At all levels in China there are large power struggles taking place on all aspects of policy and reform with ministers and ministries contradicting each other daily. The result is increasingly chaos and paralysis.

Zheng Tuobin, Minister of Foreign Economic relations and Trade (a liberal ministry supporting economic reform) told the Financial Times that China was determined not to reschedule its debt, make a late repayment or service old

"We do not think that borrowing new loans to repay old debts is a good idea," he said. The next day, Liu Zhongli, vice minister of finance (a conservative ministry) said: "The Ministry of Finance will make certain amounts of new debt at appropriate moments to repay some of the old debts."

The same splits apply to devaluation of the remninh. It is overvalued against forcign currencies, especially the US dollar where the official rate of RMB3.72 to the dollar compares to about RMB6 in the more realistically priced foreign currency adjustment centres used by foreign joint ventures. It is also overvalued against the Chinese foreign exchange certificate.

The subject is hotly debated within the ministries. The reformers believe devaluation is vital and that it can be only a matter of time. The conservatives led by Li Peng regard devaluation as face-losing and to be prevented whatever the

The economy, having been cooled, is in urgent need of some policy adjustment to maintain steady growth and to nurture the efficient and pro-

However, the signs are that, for political and ideological reasons, a serious recession will be permitted, even encouraged, and its onset may be imminent.

**Robin Pauley** 

### ■ AGRICULTURE

### Peasants fear rural reforms

THE PEASANTS have sniffed the wind blowing from Tianan-men Square and decided the new hard-line leadership may be about to recollectivise agri-

Some officials and the press have vigorously denied this, nave vigorously demed this, but rural folk will be hard to-convince. Their higgest anxiety sines Deng Xisoning's retoral-began in 1979 is that the Party line, encouraging the respon-ibility system.— in which farmers can decide for themelves what to grow- would go into reverse.

The economic austerity poli-

cies imposed by Peking wear to bring down inflation serve as a warning Rural to provide a livelihood for surolus farm workers and boost the standard of living, has suf-lered so tight a credit and raw materials squeeze that thou-sands have closed.

The sacking of former party leader Zhao Ziyang for his role in the student demonstrations will have chilled farmers. Of all Chinese leaders he was the one who understood that rural reform was essential for Chi-

Peking is discussing new farm policies. Modernisation and mechanisation are underdebate, though many recognise that mechanisation consumes scarce fuel and increases unemployment in the already

rermanned countryside. More ominously, Peking is experimenting with new systems of land allocation. In October, the China Daily-reported a pilot scheme at Lanfang village in the northern province of Hebel, which if implemented nationwide would bite deeply into the post-79

In Lanfang, instead of the irtual ownership of land which the peasants have enjoyed through most of the 1980s, farmers' families are allocated a plot to grow their own grain, and another plot to own grain, and another past to farm for the Government. For this second plot they have to pay rent. Efficient families are allowed more land, and in some areas the land is conracted to a specialised team,

not a family.

The problem with this and other new systems which depend on the wisdom of who-ever does the allocation is that rural cadres are frequently norant or corrupt.

The People's Daily has affirmed that the old commune system must not return, saying, as it did on October 22: "We absolutely cannot have "everyone eating from one big pot again." But the tendency in China is always to err on the side of radicalism.

Peking is trying to find an answer to the admittedly severe problems which have struck farming in recent years. When the land was decollectivised, there were no longer any ised, there were no longer any communes to maintain the infrastructure, as they had done previously. Irrigation, flood control and drainage, for example, began to disintegrate.

Land was left kile because many peasants preferred to work in the new and relatively lucrative industries instead of on the farms.

The farmers built houses on their land, with their new wealth, and poured money into



Surfeit of cabbage: a bumper harvest has forced government intervention



Jiang (left): voluntary participation. Chen: more for grain

those rather than into the fields. Since they never quite-heliswed that Peking would not renege on the reforms, they held off spending on soil improvements and investment

in land maintenance.

The upshot was that precious farmland (China has only one-tenth of a hectare of cultivahle land per head, about a third of the world average) deteriorated or was lost to building. Erosion, which affects 20m bectares, was unchecked and output stag-

leadership have been lobbying for change since 1985, when the powerful elderly economist Chen Yun implicitly criticised Deng Xiaoping for giving insufficient attention to grain farm-

There have indeed been grounds for concern, as the grain harvest fell off badly after its peak of 407m tons in 1984, with no corresponding let-up in population growth. Investment during the 1980s-has gone to industry rather

Rural industry has suffered so tight a credit and raw materials squeeze that thousands of farms have closed

nated. Yao Yilin, China's vice-premier in charge of the economy, faced criticism for over-optimism from standing committee members of the National People's Congress (China's

rubber-stamp parliament). He had failed to estimate clearly the seriousness of the country's agricultural situa-tion, said one member. While others argued that the amount of grain available per person in a year had dropped by 30 kilo-grammes over the past five years and said that more investment and further modernisation were essential.

The conservatives in the

More money is needed for farming. Last year, as part of the autumn austerity package, prices paid to the farmers for grain were raised and more farm chemicals were promised. Then, in October, the People's Bank, China's central bank, allotted RMB20bn to the Agricultural Bank to ensure that last year's fiasco, where many farmers were enraged at being paid only in IOUs, would not

These policies have helped. The summer 1989 harvest (about a third of the total annual grain output) was the best for several years, and the antumn crop promises well.

The estimated grain total for the year is likely to reach 400m tonnes, up on last year's 397m but still a long way below the 1994 record.

There are likely to be penalties in the shape of smaller cash and sideline crops, which contribute greatly to improved living standards. Growing unemployment is likely to result, because money is being diverted from rural industries to increase the funds to pay

Hitherto, the rise of rural industry has been the reform's greatest success story. In the 10 years from 1979 it grew annually at nearly 30 per cent, employed 60m people and in 1988 earned RMB8bn. This pace of growth will be slowed, said Zhang. Yi, vice-director of the townships enterprise manage-ment-department in the Agriculture Ministry.
Officials have been directed

to close any factories they believe inefficient or wasteful, without allowing market forces to do it for them. New enterprises will be strictly curtailed,

prises will be strictly curtailed, though export-oriented and other selected enterprises will be allowed to continue.

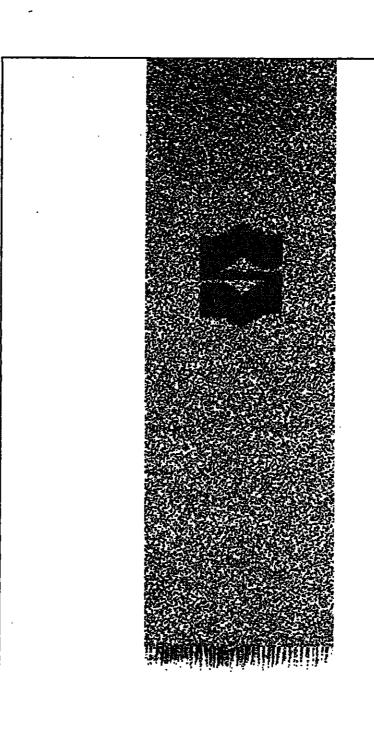
Although the leadership has decided that it has to take the countryside in hand — indeed, this decision was made more than a year ago when Li Peng's austerity policy was introduced — the argument over what to do and how to do it is still unsettled. The soring and still unsettled. The spring and summer upheavals in Peking distracted all thoughts from the farm sector, and only now has a public debate arisen.

The resolution of the sum-mer's profound political crisis in favour of the hard-liners is unlikely to promote flexible thinking on the countryside. Jiang Zemin's policy speech

on National Day acknowledged that "deepening" rural reform should require the "voluntary participation" of the peasants, but he stressed the necessity of control and planning.

China's rural people are surely watching these conflict-ing signals with intense anxi-

Colina MacDougall



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Robin Pauley examines the turnaround in industrial policies

### State groups regain priority

A DECADE ago Deng Klaoping, China's leader, shocked the nation when he decared that profit-making was noble. It heralded the beginning of reform in the industrial sector through the emergence of a successful non-state sec-

Today, Deng is still leader but less in control of day to day policy. The word from the new conservative leaders is that subsidy-taking is noble and that profit-making is not only ideologically suspect, a product of bourgeois liberalism and a host of other dusty slogans from the pre-reform days, but also undermines the inefficient but politically loyal state

Li Peng, the conservative premier, spelled out the new emphasis in which the party will again become more involved in management.

Large-scale State enterprises were the backbone of China and must have priority, he told the Economic Daily. Rural enterprises, many of which run as independent profit-oriented business, would not be allowed to compete with state enterprises for scarce raw materials and energy, he said.

Central planning is back with a vengeance at a time of strong economic retrenchment. Credit has been turned off, seriously affecting the profit-oriented non-state sector. But the state monoliths are to be sheltered from the harsh winds of austerity blowing through industry - rising subsidies will protect them.

More than 1m non-state enterprises have closed this year while there are virtually no reports of any significant state closures. Yet the nonstate sector has grown from ero to about one-third of national production in the decade since economic reform began in 1979.

This has enabled about 90m workers to be redeployed from helped to raise the living standards of some of the country's



Deng (left): began industrial reform a decade ago . . . the finds himself with less control. Zheng (right): Minister of Foreign Economic Relations and Trade

One problem is China's chronic inability to produce raw materials and energy in sufficient quantities. Power cuts occur on one, two or three days a week, throughout the country. The majority of Hong Kong companies with proces ing plants in the southern Chi-nese province of Guangdong have bought generators to enable them to keep working, but most Chinese operations cannot afford them.

Non-state companies operate for profit and often outbid the state sector for raw materials. They can afford the higher costs by raising their own end-

In some areas raw material plants have produced only 10 per cent of their quotas. One of the worst records is held by the Qinghai aluminium mining factory. It produced 3.1 per cent of the aluminium that the state had contracted it for, while the the region's cement plant achieved 18 per cent of its contract.

Nationwide, orders for steel and cement were about 80 per cent fulfilled and copper, alu-



per cent. The shortfall, with the private sector better able to buy, left the overmanned and inefficient state sector with worse productivity than usual and ever more dependent on

Not all is gloomy. In Guang-dong and the southern coastal areas, where light industry is predominantly involved in Hong Kong's re-export trade, the outlook is reasonably bright. In the last decade Hong Kong's re-export trade has grown at an average real rate of 25 per cent a year as Hong Kong companies continued to locate their labour-intensive manufacturing operations in low-cost China. This was prin-cipally in textile yarns and fab-rics, electrical machinery and artificial resins and plastic

programme has damaged Hong Kong's re-exports to China, where retail sales and consumer demand have slumped, but prospects remain strong in the large markets of Europe and the US. Of the re-exports going into China about two-thirds are for China's own use

compared to alternatives such as Thailand," said one Hong Kong banker. "There are no

language problems for Hong Kong people, and they have

plenty of 'guanxi' or connec-

One possible hitch

whether, even where the Chinese want a joint project, they

will be able to raise the domes-

In the present economic

squeeze, borrowing is near-im-possible as the leadership tries

hard to clamp down on all out-

side-budget projects and bank

businessmen have postponed

or cancelled investments.

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tic currency funds.

Other sectors look to be in serious trouble. China's industry cannot meet the demand for quantity or quality of steel needed by both state and nonstate sectors. Last year it imported 9m tonnes. But under the austerity programme it cannot afford the foreign exchange and has cancelled orders for 330,000 tonnes of steel from Japanese producers.

The situation is so serious that the Soviet Union has offered China a low-interest loan of \$100m to renovate the outmoded Baotou steel plant in Inner Mongolia, built with

Soviet aid in the 1950s. Not only Chinese enterprises are affected by the economic ze. Joint ventures with foreign companies requiring long-term capital investments are in trouble, the most notable being the car industry.

Production at Volkswagen's Shanghai plant has stopped three times this year. Peugeot last month closed its production line near Guangzbou, provincial capital of Guangdong, and the joint venture with the American Motor Corporation has cut the production in Peking of its Cherokee jeep.

The shutdowns have been caused by a combination of collapsing domestic demand, harsh economic policies, politi-cal indecision at the highest level and a consequent paralysis in the bureaucracy.

The Guangzhou Automobile Manufacturing Corporation, a Chinese bus producer with 2,000 employees, is barely ticking over on production of 100

Peugeot which started output in 1986 with planned total investment of \$200m between 1987 and 1992 closed its lines because it could not get an extended production quota agreed for 1989 nor any indica-tion from Peking of its likely quota for next year. It has produced its 1989 quota of 7,000

All car manufacturers reported the inability of any



Manufacturing steam locomotives in Datong, north-east China

Peking official to make decisions since June 4. They say that important issues such as production quotas have to be settled at high levels by the office of Li Peng, the Premier.

Professor Burkhard Welkener, head of Volkswagen Shanghai, said: "Loads of sympathy from everyone at provin-cial and national level; mayors, even ministers and Jiang Zemin, the Party General Secretary. But no decisions."

The collapse of the domestic market has been exacerbated by new taxes on cars and the need to obtain a purchasing right ticket before a car can be

Volkswagen had a 1989 opota of 17,000 units but expected to produce only 12,000-13,000 cars because the market has dried up. The stock of unsold Volksbetween 2,000 and 4,000 and they were on offer to ex-pa-triates in China at a heavily discounted price of \$10,000. Peugeot went for two months without a new car sale

which is not surprising since the new taxes meant the cost of a Pengeot 505 station wagon totalled \$54,000. These problems mean it will be harder, perhaps impossible, for the joint ventures to reach the official targets for local content in their models. This

means the progress of Chinese parts manufacturers will be that much slower. On top of this the Chinese Government purchased, through barter trade, 20,000-30,000 east European cars

which remain unsold. More are on the way.

One of the most extraordinary facts about China's gen-eral industrial crisis, and that of the car industry in particular, is the Peking Government's announcement of the Panda motor company.

The top secret plan is backed

by US and South Korean inves-

tors. The plant will be built near Guangzhou with an investment of \$250m to produce 800,000 cars a year by The company president is

rumoured to be a relative of the late General Douglas Macarthur. The money from South Korea is reported to be "moonie money" from the Rev-erend Sun Moon channelled through a US subsidiary company because South Korea does not have the right to deal directly with China. The Korean manufacturer or designer is unknown.

The production target is regarded as ludicrous by indus-try experts, even for a country of 1.2bn people, because

incomes are so low. India, the incomes are so low. India, the world's next most populous country with 850m people, has been producing cars for decades longer than China. But its output was only about 30,000 cars a year for 25 years before it started increasing before it started increasing alongs in vacent magns. India's slowly in recent years. India's production capacity is unlikely to exceed 150,000 within the

next decade or two A western diplomat was sceptical: "If the Panda project proceeds, especially in this eco-nomic climate, it will be an absurd monument to everything that is wrong with China's industrial central plan-

"A more likely result of our rent policies is that of the planned joint venture in the north east of China with a Japanese manufacturer - it has been cancelled."

#### ■ FOREIGN INVESTMENT

### Flow of new funds dries up

NOT SURPRISINGLY foreign investment in China has been badly hit by the June mas in Peking. The political insta-bility, on top of attempts by Li Peng, the Prime Minister, to recentralise the economy and eze inflation, came as th last straw.

While foreigners with investments have stayed on, the flow of new funds has slowed markedly as businessmen wait to

see what happens.
Official totals (which include joint projects as well as equity investments) show that con-tracted foreign investment has fallen from \$1.5bn for each of the first two quarters of 1989 to \$1bn in the July-September

This is still a healthy sum, but a closer look reveals that these projects are mostly small, averaging \$1m each. Furthermore, many must

have been in the pipeline before June. "I don't expect people to pull out right away," said one seasoned observer in Hong Kong, "But there will be a slow-down - people can afford to wait."

Hong Kong money favours Shenzhen, the special eco-nomic zone next to the British territory, and the rest of the Pearl River delta where many Hong Kong projects are based.

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165Ko/Drum



Who will buy? Peugeot plant near Canton

technical know how and parts for processing and re-export. This specialised flow seems likely to continue. Large slices of Hong Kong's industry shifted to Guangdong becaus of lower labour costs, which still far outweigh the drawbacks of the less industrious and less skilled workforce in

"In our Guangdong plant we're paying wages of HK\$700 a month, and in Hong Kong, HK\$4,000-5,000 . . . even in a civil war they're not likely to come and stop the factories," said one busine

Guangdong will probably remain popular. "It's got a good infrastructure — at least

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the day after Tiananmen," said one British shipping man who was thinking about a project in Nantong, east China. "The country is just too unstable." The growing spate of news about economic difficulties confirms that judgement.

The ventures with foreign car makers - Peugeot, Volkswagen and Chrysler - were in severe trouble with huge numbers of vehicles unsold because no-one could afford to buy

All three closed their production lines, and were uncertain how to plan for next year's pro-

This was aggravated by the eming paralysis in China's bureaucracy which meant even trivial questions were sent to the premier's office for deci-

To ease the problem, last month the People's Bank, China's central bank, allotted RMB100bn to relieve the logjam in the economy, some of which will end up solving the joint ventures' immediate

problems.
The economic uncertainties remain while the post-June leadership continues blanket austerity, and few foreigners undoubtedly difficult problems in the right way.

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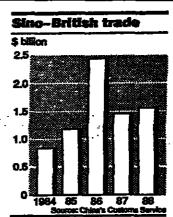
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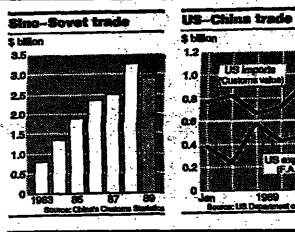
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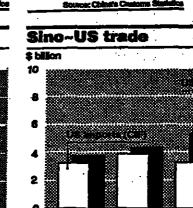
Colina MacDougail

# Foreign exchange este of decline 7.4% Oct 1988 Dec Jan 1989 Mer Sporce: China Str

China's trade deficit









The austerity drive will not prevent a jump in the trade deficit

### High costs of retrenchment

expected to jump to between \$9bn and \$10bn, well above last year's \$5.3bn, in spite of Peking's crackdown on imports

and its retrenchment policy,
To curb inflation, slow the
country's overheated industrial
growth, and reduce the trade
deficit, the Government has
implemented import restrictions and tight credit.

"The government started the austerity programme before June 4, but not with the same commitment," one western banker said However, import restrictions

and curbs on loans are taking their toll on the economy. Factories that produce both for the domestic market and for export are suffering from a shortage of raw materials and a souceze on the currency. Some factories seeking to borrow renminbi to manufacture goods for export find they are unable to obtain the necessary loans. Some joint ventures involv-

ing foreign participation in Peking have had difficulty obtaining access to credit for domestically made parts for use in export products. Because of the lack of

money, raw materials, and

vital imported parts, many fac-

tories have temporarily closed or are working a partial week. Unemployment is growing, and the Government has raised its unemployment estimates from 2 to 4 per cent, although analysts believe the rate is higher. Import restrictions have hit consumer goods the hardest, such as Japanese tele-visions, video cassettes, assem-bly lines for automobiles, and cars for taxi fleets.

The economy faces tough times and bankers and diplomats question how long the Government could continue the austerity program without damaging exports.
"The Government will kill a

good part of potential exports by creating an overly restric-tive situation," one banker Bankers believe that it

would be virtually impossible

for Peking to continue with its

tight import and credit policy as part of its overall retrenchment programme for more than two to three years. The Government said the austerity policy is necessary for that period of time to cut inflation. However, the political cost would be too high, bankers said, particularly if

unemployment continues to "We anticipate that some of the problems the Government faces will move from the economic field to the political field in the coming year," a Japa-nese banker noted.

However, the clampdown on imports is working. trends don't look bad, the situation has improved this quar-ter," said a western diplomat. Following the rise in imports

in the first half of the year, the Government tightened import controls and the trade deficit grew more slowly in the third quarter, while Peking stressed

holes in the system existed and imports were still entering the country through Guang-

dong and Fujian.
The anxiety over China's trade balance was triggered earlier this year by the occurrence of several events.

Analysis said the trade deficit in the first half surpassed

the amount for all of last year. At the same time, foreign lending dried up and tourism reve nues fell. In spite of the improvement in the import fig-ures, bankers and analysts are concerned about how Peking will pay for its trade deficit. The Government's cash shortage is acute and there are

reports that goods, such as tex-tiles, made for sale in the domestic market are being sold to other south east Asian countries for hard currency.

Most analysts believe Peking

will be able to pay the bill, but only just. Although the Government will be reluctant to draw on its foreign exchange reserves, some bankers said it would have little choice. Foreign exchange reserves are an estimated \$14bn, with some experts saying they could be as

With the decrease in tourism income and remittances from Chinese abroad, some bankers thought Peking would sell some of its gold holdings. Others said the sale of weapons, which are not included in export figures, would help reduce the deficit. Bankers are

watching to see whether China requests loan rescheduling. "It will be a narrow escape, but China won't have to reschedule this year," said a banker. However, others thought that the Government's only way is loan rescheduling

on a case-by-case basis.

China has \$7.3bn in short-term loans of its \$40bn foreign debt. One Japanese banker said without rolling over these loans (which are not subject to international sanctions because they would not be new loans), it would be difficult for China to cover its

trade deficit. One banker pointed out that while banks would be cautious. they would be likely to consider favourably requests for rescheduling. The amount of loans that China has is less than that feet from the constant of the cons than that for any Latin American country and China represents a big market over the long term for a lot of creditors.

The trade deficit next year is any country to describe the country of the country of the country that is a country to the country of the count expected to decrease as the

clampdown on imports contin-ues and the Government promotes exports. But the economy will still be in for a hard time as medium and long-term loan repayments begin to fall

Unless China can get the World Bank, the Asian Development Bank, and other com-mercial banks to make new ioans, then the economy next year will be under even greater Dressure.

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GUANGDONG Province in the south of China, bordering Hong Kong is the country's most successful province. It has been in the vanguard of economic liberalisation, has attracted substantial foreign investment and has often been

used as a test bed for cha His dynamic success has been further enhanced under the lib-eral leadership of Gossmior Ye

in a long and wide-ranging interview, the first with for-eign journalists since the June eign journalists since the June massacre of student demonstrators in Peking, he made plain that he does not intend to allow Guangdeng's successes to be threatened by the sort of policies that have failed in the past but which the hard line leadership in Peking is attempting to re-introduce.

Two of the most controver-sial policies, chandoned when economic reform began in 1979 but being brought back by the conservatives in Peking, are emforced saving by employees, usually through the comput-sory purchase of government bonds, and a dictum that the Party should again become more involved in the manage-ment of business enterprises.

Governor Ye will not accept either. "There will be no enforced sellings of bonds or compulsory saving in Guang-dong," he stated emphatically. He rejected more party involvement in management because it had been seen not to work. I have been a member of the Communist Party for 40 years and I worked for more than 20 years as a factory manager, and chief engineer. During the war of resistance eggingt length I worked in a against Japan I worked in a factory led by the Communist

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### Robin Pauley and Colina MacDougall talk to Ye Xuanping, the Governor of Guangdong Province

## Liberal leader resists a return to the past

bers leading (the work) groups directly interfered in the exe-utive or administrative body's

work. It was no good."

He agreed that matters of concern should be discussed within the party committee of an enterprise but that was all.

It is not good to take over the faily control and administration of the control and administration. trative and management mat-ters. I am not only talking shout the party committee but also the trade unions which tried to involve themselves in management. That is also not appropriate but it didn't pre-vail. We made clear (that it was unacceptable) and it

Party. What is most important is that the party committee within the enterprise should leave administrative and executive work to management. It should not take over or interfere too much."

It is this approach which has made Governor Ye's policies attractive to investors and under the liberal economic policies of Zhao Ziyang, the discredited General Secretary, they were being applied increasingly throughout China.

Governor Ye was warm in his praise of Zhao Ziyang and went out of his way to emphasise that he had made impor-

The party committee within the enterprise should leave administrative and executive work to management . . . It should not take over or interfere too much'

When pressed to confirm that he personally would not allow the party to play a higger role in the day-to-day management of enterprises in Gua dong, Governor Ye replied: "Yes. That has already been gnaranteed. The party's committee should not, and it is not possible for it to, take over daily management of an enterprise. There will be no change. The crux of the question is not The crux of the question is not the leadership of the Communist Party, because emissipate has always been under the leadership of the Communist Party.

"These are party matters and not violations of laws so

tant contributions to China in dling the student demonstra-tions in Peking in Jane. "Comrade Zhao served as premier and presided over the state council for quite a long time. During his term of ser-

concerning work."

Zhao had supported turmoil

vice we accomplished a lot and he gave a lot of instructions

is different from those commit-ted by rioters.

The nature of the mistake is different. It is all quite different from the nature of a crime. It is not a matter of bringing him to justice, just taking stock of past lessons."

Governor Ye was giving the appropriate indication was that

Governor Ye was giving the strongest indication yet that Zhao continues to enjoy strong official support and that any attempt to put him on trial would be resisted.

The new leadership is turning away from some of Zhao's economic policies and returning to some old ideologies.

ing to some old ideologies Governor Ye's individual stand puts him at odds with the Peking leaders who tried,

to the dismay of local business-men, to persuade him to leave Guangdong to take up a posi-tion in the capital, perhaps even to be promoted to a vice-premier. He resisted "It is not a fact. I am defi-

nitely staying. The appointment of my position is decided and approved by the people's congress. I have not fulfilled my term and although I reached retirement age, I will stay the full term until 1992." Many of those businessu are from Hong Kong and Gov-ernor Ye has previously been regarded as sensitive to the problems and fears of the peo-

ple of Hong Kong in the run up to 1997 when Britain will hand

leadership of the Communist
Party. What is most important with the law. A mistake comis that the party committee mitted by a leader of the party

over the colony to Chinese rule. But, on this occasion, he supported the new hard line or rule. But, on this occasion, he supported the new hard line on Hong Kong coming from Peking which includes a statement that no political opposi tion will be allowed in Hong Kong after 1997.
"China's government has made it clear that Hong Kong

should not be a base for sub-verting the People's Republic of China. Political opposition has to be dealt with concretely. "Opposition to the socialist system and leadership of the Chinese Communist party would go against the constitu-tion of the People's Republic

Hong Kong will become a special administrative region (SAR) in 1997 and will be administered under a new "I believe the Basic Law will not go against the Chinese con-

and should not be allowed to

The idea is that China will then be one country with two systems, preserving Hong Kong's present characteristics for at least 50 years beyond

"I believe 'political system' is different to 'political opposition'. Therefore what we mean by one-country, two-systems on no account means that one system should oppose the from political factions."

Confidence in Hong Kong collapsed in the wake of the



Ye: no compulsory saving in Guangdong

June massacre and recent economic statistics show that the Hong Kong economy has been hit hard. Growth projections for the current year have been halved to 3 per cent instead of 6 per cent, compared with 7 per nt last year and 13.5 per cent in 1987.

The student unrest in the capital developed into nationwide turmoil and finally counter-revolutionary rebellion in the capital and, as mentioned by Chinese leaders, it had a background at home and

"Central government authorities, including the state council, had to impose martial law. Personally speaking, I wouldn't have wished for such a thing to happen but turmoil had got to such a state that some rioters wanted to subvert the PRC by illegal means. So I believe these measures were neces-

Governor Ye is widely believed to have been person-ally responsible for the more conciliatory approach to demonstrators in Guangdong where disturbances were resolved peacefully with no

armed intervention.
"In Guangdong province it is obvious that student unrest did not get to a riot but there was turmoil. I believe events were understood by people in the province and by people in

Hong Kong.

"The turmoil was caused mainly by Guangzhou students who wanted to block the Haiju Bridge. Just to make trouble some lay on railroads and suspended train services. It did no good to Canton. How would that be beneficial to Guangwanted to explode our 14km rail tunnel - the longest in China - and wanted to paralyse traffic between south and north China. It was not mere student unrest, I don't believe any kind of authority would tolerate this in any country."

The students were persuaded to hold some of their demon-strations at night rather than by day, and the Guangdong authorities avoided bloodshed and the protests eventually subsided.

Governor Ye was anxious that economic reform should continue. Guangdong Province had gained rapid development, partly because of its favourable to Hong Kong and Macao which had enabled the province to be a gateway in and out of China. Another unique advantage

was that about 20m Chinese living overseas are from Guangdong while more than 4m of the Hong Kong Chinese are from Guangdong. Until reform began in 1979 these geographical and demo-graphic advantages were not

graphic advantages were not exploited.

"We have brought them into full play," he said. In July, 1979 the Government approved that Guangdong and Fujian should adopt flexible policies to make use of these advantages so we moved fast, opening to the outside world. Our policies have attracted numerous investors attracted numerous investors at home and abroad. We have shed our productive forces ahead. They justify our reforms and open policy."

encouraged a coastal policy under which the coastal cities

priority and encouraged to expand fastest in the belief that the benefits would eventually filter through to the poorer inland provinces. There is some uncertainty about the future direction of this policy.

"I do not see any reason no coastal cities to further push ahead their economies. Coastal and inland (areas) promote each other in a co-ordinated

way.
"My personal opinion doesn't but favour the word 'priority' but rather 'make use of advantage'. Coastal regions have advantages and disadvantages they have no cotton and are short of iron and coal. Inland areas have their own advan-tages. I cannot make a clear priority but each should exploit its own advantage. China has been forced to open up before and the economy regions.

Coastal regions will always be first to have interchange with the outside world and that is probably one of the pri-

"That is why Guangdong was one of the first to adopt open policies. I always have the feeling that some of the measures of Guangiong province have played a positive role in the country's economic development with the gradual and expertise into inland regions. We have always been exploring ways forward and some of the failures here then do not spread inland."

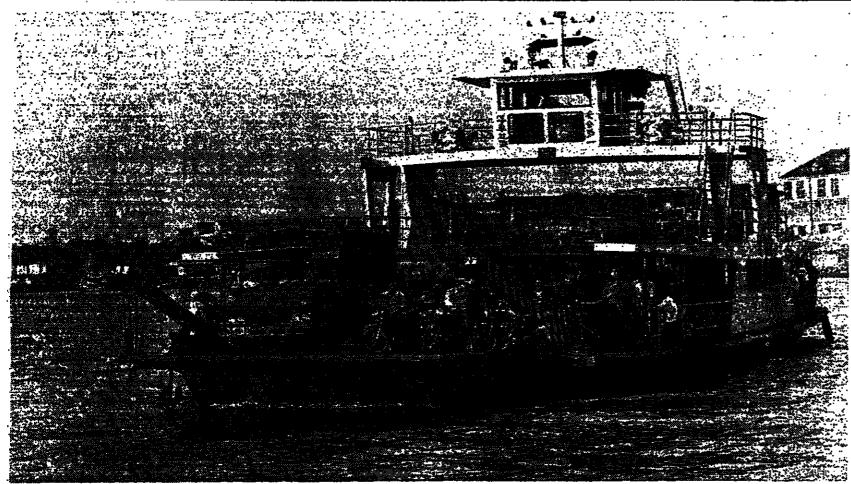
Guangdong has been increas ingly criticised for the corruption which has accompanied its rapid economic development and some Chinese believe that relatives of senior officials are immune from prosecution, a leading complaint of June's

student demonstrators.
"We are punishing corruption and building clean and upright government. I don't believe this problem is more serious in Guangdong than in other parts of China but we would never slacken our efforts to settle this problem.
"I acknowledge that given

dynamic economic development there are more chances for corruption. Our efforts to crack down have not been consistent. Sometimes we pay close attention, sometimes we

"In the past few years we have made efforts to deal with this problem. This province doesn't care about the back-ground of people. We will investigate any cases no mat-ter what the background. We have strong backing from the central authorities."

He added that there was also much baseless rumour-mongering. There was a report in a Hong Kong paper that I was arrested because of smuggling gold six years ago. I still keep it as a souvenir," he said



A ride to prosperity: Pearl River ferry

John Elliott on Guangdong's special relationship with Hong Kong

### A wealth of low wages

A MERGER between Hong Kong and the adjacent special economic zone of Shenzhen, which is part of the southern Chinese province of Guangdong, is occasionally mooted as a possible development after China has regained sover-eignty over Hong Kong in 1997. The soggestion is always dis-missed. But it does nevertheless illustrate the fact that the less illustrate the fact that the Pearl River delta of Guangdong has far more in common with Hong Kong than with the rest of the mainlaid. Nowhere else in China is there such prosper-ity with multi-storey office blocks, gaudy new hotels, and flourishing factories using low cost labour to produce goods for international markets.

There is a question mark over the future of this prosperity. Hong Kong's success as an internationally important regional centre for finance, business and trade depends basically en confidence, which is a precarious commodity.

That confidence has plunged since the June eyents in China, and it seems unlikely to recover while Peking's hardliners remain in power. This affects Shenzhen and

for international market

This alterts Spenzien and much of the rest of the Pearl Delta, whose prosperity partly depends on Hong Kong's continued success because of the extent to which the two areas' economics and industries have become interlinked become interlinked.

In addition, there is a risk that Peking's hard line policies could stifle some of Guangdong's entrepreneurial drive. This would reduce the area's competitiveness and international\_appeal, both for full technological foint ventures and for low cost labour pro-cessing plants which can easily be located elsewhere in the region in places such as That land and the Philippines.

It is estimated that between
1.5m and 2m people in the
delta work in Hong Konglinked processing factories and
that probably as many again
are employed in related activities, bringing the total to 4m
people. Hong Kong dollars are
widely accepted, and some analysts estimate that 20 per cent
of Hong Kong's currency is circulating in Guangdong.
About 70 per cent of Chima's
total \$12bn direct foreign
investment comes from Hong

investment comes from Hong Kong. Some two-thirds of this is thought to have originated with Hong Kong and Chinese companies based in the colony. The rest is routed, and often

That argument is more ques-tionable following the Tiananmen Square events and the subsequent crackdown which showed that Peking's hard line leaders put the maintenance of China's communist regime above economic success in order of importance.

Peking officials appear to be prepared to sacrifice some of the colony's immediate confidence and economic success in the interests of ensuring that it does not challenge their

Hong Kong, once seen as an important economic centre, is regarded as a dangerous centre for subversive activities bent

Hong Kong's success as an Internationally Important regional centre for finance, business and trade depends basically on confidence, which is a precarious commodity

financed, though foreign com-panies' Hong Kong offices. The area includes the Portugese enclave of Macao, which returns to Chinese sovereignty in 1999. Macao is of far less economic importance than Hong Kong, but it is being developed rapidly with sub-stantial financial input from China including investment in -a new airport.

The amport is located on the west side of the Pearl delta, 40 miles across the estuary from Hong Kong and adjacent to China's special economic zone of Zhuhai it could grow in importance as a gateway to the western side of Guangdong.

Experts have often argued that Peking would not disturb the economic success of these coestal areas, and particularly Hong Kong, because of their importance to the whole country's economic development.

on overthrowing communism Consequently there has been a continuous barrage of destabiing criticism from Peking.

It seems certain that the final draft of the Basic Law. which will be Hong Kong's mini-constitution after 1997. will not include any concessions on the introduction of democracy. The draft is com-pleted and Peking is expected to insert a new clause outlaw-ing subsection.

Hong Kong's brain drain has accelerated because people are frightened of the risk of repres-sion after 1997. A vast majority of those who have the means to do so are trying to emigrate to gain a foreign passport. At least 55,000 people are expected to leave annually from next year, putting serious strains on the business community. Companies hope that the outflow of their most valued employees will be reduced by a British scheme for passports and a right of abode which is being finalised. Other countries are being urged to arrange similar schemes that would give people passports while they are still living in Hong Kong.

A government survey has shown that fear about Hong Kong's possible political insta-bility is the main factor worrying overseas investors. Worry about the future is also being demonstrated by action which companies are taking to pro-tect their businesses from Communist interference after

moved their domicile to off-shore centres such as the Cayman Islands and Bermuda this year. Even Hutchison Whampoa, the colony's leading group controlled by an ethnic Chi-nese (Li Ka-shing) has consid-

ered such a move. Some businesses, including banks, are streamlining or downgrading their Hong Kong operations, partly in prepara-tion for 1997 and partly because of the colony's escalating costs and brain drain.
The economies of the whole

of the Pearl Delta have been hit by the June events. No precise figures are available for Guangdong but the area is a large producer of consumer goods, which have not been selling. Some estimates suggest that unsold goods valued at some RMB28bn have been

Companies report a slowing down in the bureaucracy's operations and a worsening of the general business environment. In particular, some Guangdong officials are scared to speak out in support of for-eign companies, or to take decisions that might not please

Peking hard-liners.

Hong Kong's economy was hard hit in July and this pushed it into a negative growth of about 1 to 2 per cent in the third quarter compared with a year earlier. The Gov-ernment believes this has improved, but it has cut its estimates of gross domestic product growth for 1989 from 5

to 6 per cent to 3 per cent. Sharp drops in tourism and consumer demand led to a 4 per cent year-on-year decline in retail sales in the third quarter, compared with 6 per cent growth in the first quarter.

The decline in Hong Kong's entrepot trade with China was illustrated when its re-exports to China fell by 1 per cent in the third quarter, compared to a year earlier, and well below the 50 per cent growth in the first quarter. This reflected a slowing down in activity in China and meant that re-exports of goods produced in China and elsewhere grew by only 17 per cent year on year in the third quarter compared with 34 per cent at the begin-ning of the year.

in southern China have slowe drastically since June and there has also been a slow down in Hong Kong. Compamies have been looking more actively for alternative production arrangements in other low wage locations such as Thai-land.

that the area is declining. Guangdong's open door policies have not been changed. New investment is picking up in Hong Kong after a post-june bull and there are other signs of slow recovery. of slow recovery.

Foreign investment is still arriving, partly to cash in on current prosperity and a con-struction increase, and partly to establish long-term links with China. Companies know that China

is a market they cannot ignore, which is good for Hong Kong and the rest of the Pearl delta. But there is a new air of caution that did not exist before

# Pick The Seeds Of Hope-**HSUJI PEANUTS**

"Hsuji" is a word which means "the Glorious Rising Sun" in Chinese, implying a promising future full of hope and fortune. And the Hsuit Peanuts are the promise. Hsuji H.P.S. graded peanut kernels are hand-picked for uniform size and quality. They are remarkably free of dirt or gravel, have just the right level of moisture and free of aflatoxin. And above all, Hsuji Peanuts are the Seeds of Hope scattered right from Shandong, the biggest groundnuts producing province in China. China National Cereals, Olls & Foodstuffs I/E Corp.,

SHANDONG CEREALS & OILS BRANCH

29, Wusong Road, Qingdao, China. Tel: 228063, 226330 Fax: (0532) 224229 Tix: 32121 COBOD CN Cable: "NACEROIL" QINGDAO

#### The outlook for intellectual fervour is bleak

### An echo of officialdom

route that helped a number of dissidents to find safety in the West, has been sealed as Peking prepares to put on trial more than 40 leaders of this year's democracy movement

In a symbolic termination of the uprising that split the Government, and shook the Communist Party, leading intellec-tuals and student activists are to be charged with counter-revolution\_

Sources say those who will stand trial include Wang Dan, the student leader, Cao Siyuan, former government adviser, and Ren Wanding, veteran human rights advocate.

The 40 are accused of inciting rebellion and if guilty could receive more than 10 years in jail or even the death penalty. There is little chance

of acquittal.

The outlook is equally bleak for the emerging intellectual exuberance. China's communist regime, as it has done so many times before, is hobbling free expression in order to survive. The media, schools and colleges, research units and all arms of government, have been bludgeoned into a tedious echo

of the official line. With censorship pervasive, and the closing or neutering of the few outspoken voices, such as Shanghai's World Economic Herald, there are no indepen-dent voices in China.

Apart from an occasional, very subtle hint of non co-oper-ation, the only public criticism can be found in the outpourings of dissidents abroad. Even Professor Fang Lizhi, the regime's best known critic, has to keep silent while he main-tains sanctuary in the US

Those who fled to the West through the clandestine route via China's southern provinces of Guangdong and Fujian, form the nucleus of the only opposition to the Party.

That route has been closed, but Yan Jiaqi, a former head of the Peking Academy of Social Sciences, and student leader, Wu'er Kaixi, got through to form the Paris-based Federation for Democracy in China

Along with businessman, Wan Runnan, and Chen Yizi, former aide to sacked Party boss, Zhao Ziyang, they have drawn up plans for political

In a twist to supposedly retired supreme leader, Deng Xiaoping's dictum, "seek truth from facts," the group chal-lenged the Party's information monoply by sending messages simile machines. That avenue has been sealed with party cadres required to monitor and record all fax messages.

Indications that the escape route offering the only hope for those sought by the Governago with the arrest of two of the most wanted dissidents, Wang Juntao and Chen Zim-

They were picked up in Guangdong with a Hong Kong businessman, who was helping them flee, as police stepped up security following the escape of another leading intellectual,

The only important dissident still unaccounted for is student leader, Chai Ling, who is believed to be in hiding in



China with her husband, Feng Congde. Chai, a graduate psychology student at Peking Normal University, was commander of the students occupying Tiananmen Square, and a moving speaker during the democracy rallies in May.

The authorities recently issued a new arrest warrant for seven democracy movement leaders, headed by Chai, but seem to have crushed what remains of those groups advo-cating political reform. Thousands were detained

after the army put down the uprising in June, although most have been released after differing periods of interroga-tion, and in some cases, beatmg and torture

The Government has been content to allow China's rig-idly controlled social system to punish the majority of protes-

China's communist regime is hobbling free expression in order to survive

tors. Those said to have been peripherally involved are simply denied privileges such as employment, housing, and travel and so left to languish

with no opportunities.
Others with a more crucial role in the Spring upheaval are likely to be tried or held indefinitely. Asia Watch, the New York-based human rights that Han Dongfang, 26, leader of Peking's illegal Independent Workers' Organisation, has been held incommunicado

Han, who tried to form a Solidarity-type group in the capi-tal, is among those who are likely to receive the "harshest treatment," Asia Watch said. According to the human rights group, others held include, Sun Jizhong, a factory worker who was part of the "dare to die" brigade that tried to stop troops in Tiananmen Square. Also held are Shao Jiang, 22, of the Autonomous Students' Union, Li Jinjin, 30, a law lecturer, Xu Xiaoyong, son of former foreign minister, Wu Xueqian, Professor Song Lin, who led a protest march and Zhang Ming, 24, one of the most wanted student activists. Though most of the troops have either moved to the outskirts of the capital, or changed into police uniforms, martial law remains in Peking. It requires rarely-given official permission for the sort of investigation that would give an accurate picture of the

Amnesty International has condemned the Government's "secret executions" and what it says is an attempt to "cow political opposition" by public-ising select death sentences. Six months after the massacre some 33 executions have been confirmed via official Chinese sources, and Amnesty believes

arrests are intensifying.
Equally forbidding for intellectual freedom, the media has been muzzled, with hard line Party theorists taking over important positions, such as the editorship of the Peoples' Daily. Liberal-minded journal-ists have been removed, or arrested.

Thinkers at home and abroad have received the same treatment. Prominent Shanghai writer, Wang Ruowang, has reportedly been arrested prior to being put on trial for "polluting the thinking of youth," a charge that, in com-mon with so-called counter-revolution is used to silence critical appraisal of the Party.
In compliance with the fetish

for orthodoxy, the Chinese

Writers' Association has expelled the extled intellectuals, accusing them of anti-government action, while at the same time offering a pointed warning to those who remain. Former Peoples' Daily reporter, Liu Binyan, and intel-lectual, Su Xiaokang, who got out of China through Hong Kong, have been targetted for their role in establishing the Federation for Democracy in China, or Front for Democratic China, as the organisation is

sometimes called. Su was a co-author of the controversial television series River Elergy which outraged Party hard-liners with its biting analysis of Chinese history, and marked a high point of the year's intellectual ferment.

Peter Ellingsen





deployment of second and tougher troops People's Liberation Army troops (left) raise their flats in

The army as a modern force has suffered a setback, says Colina MacDougall

### Power from the barrel of a gun - again

THE TANKS rolled in to Peking to suppress the seven-week-old student demonstra-tions on the night of June 3, criminately into unarmed crowds.

The shock to ordinary Peking folk who lost relatives or watched the action on the streets rocked China's capital

to its foundations.

Fear keeps them silent:
"We've had much trouble here" was all an enigmatic man in a Peking park would say last month, with a look of bitter regret. But the ferocity of the Government will not easily be forgiven.

The army has emerged from the Tiananmen massacre as a prime mover in the country's politics. After Deng Xlaoping came to power in 1978, it retreated from the important retreated from the important role it played in the Cultural Revolution and the fall of the Gang of Four, Chairman Mao's wife and her supporters who attempted a takeover after the old man died. Younger officers were grow-

ing more interested in modern weaponry, professionalism and a low political profile. But China's elderly generals are part of the communist old guard, and most of them see things differently.

For them, the party's absolute power and their high posi-tion insures them a privileged life which they are determined to keep.
These party dinosaurs, led

by Yang Shangkun, the country's president, bypassed the constitutional military channels to call up the troops. The summer's military deci-sions appear to have been taken by Yang, his brother Yang Baibing, who then com-manded the army's general political department, Li Peng, the premier, and the Peking municipal government, but not but the armore attents authors by the proper ultimate author-ity, a full session of the Central Military Commission. But it was not the first time, and surely not the last, when powerful Chinese leaders ignored state and even party institutions when convenie

Zhao Ziyang, the now dis-

**KEY FACTS** 

Area: 9,561,000 sq km Prime Minister: Li Peng

(per 1,000 of population),

1980/87: 130 per 1,000 Urban population as % of population, 1987: 38%;

average of low income countries, 1987: 24% Doctor per person,

GDP per capita, 1987: \$290 (india: \$300)

inflation, 1988: 18.5%; 1987: 7.3%;

1978/87 annual average: 9%

1978/88 annual average: 6.5% Merchandise exports, 1988: \$41,054m; 1987: \$34,734m

Merchandise imports, 1988: \$46,369m; 1987: \$36,395m

1986: \$7,034m Current account balance as %

Total reserves minus gold.

1988: \$18,541m; 1987: 16,305m Main exports % of total; textiles, clothing, yarn: 23.8%; petroleum and related

machinery and transport

equipment: 5.9%; fruit veg. and oilseeds: 4.8%

Main destinations of exports;

Hong Kong and Macau: 38.4%;

Japan: 16.7%; US: 7.1% Main imports % total; machinery and transport

equipment: 30.2%;

iron and steel: 8.3%;

plastic materials: 6.5%

Current account balance, 1988: -\$3,943m; 1987: \$300m;

of GNP, 1988: -1.04%;

1987: 0.1%

products: 7.2%;

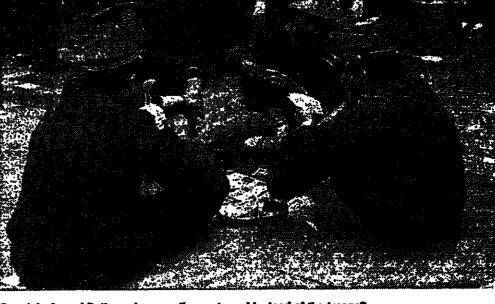
1970: 0.85 per 1,000 1985: 1.41 per 1,000

Real GNP growth, 1987: 10.2%;

1986: 7.9%;

Birth rate

1970/75: 220:



People's Armed Police: why were they not used instead of the troops?

missed Party General Secre-tary and first vice-chairman of the CMC was bypassed. Even Deng, then the Chairman, seemingly did not participate on a minute-by-minute basis. Yang Shangkun said later that he channelled the decisions to him. Deng, however, played a leading role in summoning troops from all China's military regions and service arms.

At the peak, the military strength around Peking was probably between 350,000 and 400,000 troops.

In spite of these large numbers, there is evidence of uncertainty over how to handle the crisis and some mili-

tary observers believe the decision to make the assault was taken very late. The army's role was not a heroic one. It was used instead of police, and there was no effort to try normal crowd con-

trol methods. Apart from Li Peng, who has excused the shooting by saying China had insufficient non-le-thal equipment and said that the pressure in the hydrants at Tiananmen was not strong enough for water cannon, no Chinese leader has come up

with a suitable explanation. However, in the demonstra-tions of the winter of 1986/87, police used hoses to drive protesters out of Tiananmen (the water froze in the icy tempera-tures, and the students couldn't walk across it).

The People's Armed Police, who might have been used, are as tough as the army, but in spite of their name, usually unarmed. As China has shopped abroad for modern security systems and several times used tear gas in Lhasa, Premier Li's explanation is, at the least, disingenuous. In June, the army was badly split over this intensely contro-

versial action. Calm has been outwardly restored and the cracks papered over, but deep resentments exist. This is especially true among the younger officers who are unwilling to be dragged into the political

The freeze on military exports by the US and some European countries will slow the halting advance to modernisation and many mid-level officers must believe the Tiananmen demonstrations could have been better handled.

In retrospect, it is generally agreed that China was nowhere near civil war, but there is much evidence of divisions in the leadership before and during the action. After martial law was

declared on May 19, two veteran and highly respected mar-Xiangqian, plus a former defence minister Zhang Aiping and another hundred or so senior party members, pro-tested to Deng about the coming use of force. But the wily old leader paid no attention, drawing troops from all over the country to spread the

Persistent reports in mid-May said that the commander of the 38th division, stationed at Baoding near the capital, had refused to go into action against the students because his daughter was a student at Peking University.

Later unconfirmed reports

said he had been dismissed or shot. More recently he is said to have fallen ill, diplomatically or otherwise, and retreated to hospital. Whatever the truth, the virtual disappearance of Qin

Jiwei, the defence minister. both at the time and since, indicates that senior officers had doubts and were conse-quently held to be unreliable. It is probably significant that the Peking military region, Qin Jiwei's former command, was the last of all seven military regions to offer support for martial law.

Yang Shangkun's family were deeply involved. As well as Yang Baihing, his younger brother, Chi Haotian, the chief of staff, is said to be his son-in-law, while his nephew, Yang Jianhun, commanded the now-notorious 27th Army which did most of the killing The "Yang family army" had been pilloried in student posters during the demonstrations. It was a bizarre crisis, with troops ringing Peking from the day of the Soviet president's departure on May 13. In the suburbs, the locals alternately harangued them and brought them tea and drinks, meanwhile putting up harricades across the main roads into the

city.

The soldiers seen in the capital in late May and on June 2, the day before the full assault, were the usual sloppy boys in khaki visible anywhere in China. But the troops who came in on the night of June 3, equipped and better armed

There are persistent but unconfirmed stories that they were drugged to make them more aggressive, injected with amphetamines disguised as inoculation against the diseases allegedly prevalent in the square after the student sit-in. Whatever the truth of these unpleasant reports, China's military as a modern force has suffered a tremendous setback. Few in China are likely to believe that the party genuinely controls the army. In spite of the party reshuffle at the Central Committee meeting in November, when Jlang Zemin, the party leader, was appointed to the chairmanship of the CMC.

Today's reality lies in Mao's famous aphorism, that power grows out of the barrel of a

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#### USSR MONGOLIA XINJIANG GANSU OINGHAI HENAN ? TIBET SICHUAN HUBEI' ZHEJIANG HUNAN BHUTAN GUIZHOU **BANGLADESH** YUNNAN **GUANGXI** TAIWAN I W Hong Kong **OCEAN** 17Guangzhou \_LAOS \_/HAINAN PHILIPPINES. VIETNAM <u>Main source of imports:</u> Total external debt:

Hong Kong Macau: 21.7%; Japan: 20%; US: 12% 1987: 30.2bn

1988: 9.3%; 1987: 10.4% Structure of long-term debt, 1987: official sources: 44.1%;

Average exchange rate. 1988: 18 = 8.72 yuan: 100 fen = 1 renminhi yoan